

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

TONY KOLE, *et al.*,

Plaintiffs,

v.

VILLAGE OF NORRIDGE,

Defendant.

No. 11-CV-03871

Hon. Judge Thomas M. Durkin  
U.S. District Judge

Hon. Morton Denlow  
U.S. Magistrate Judge

**MEMORANDUM OF LAW IN SUPPORT OF DEFENDANT’S MOTION TO EXCLUDE  
PLAINTIFFS’ EXPERT’S TESTIMONY AND OPINIONS**

**INTRODUCTION**

Plaintiffs TONY KOLE (“Kole”) and GHOST INDUSTRIES, LLC (“Ghost”) (collectively “Plaintiffs”) allege that Defendant VILLAGE OF NORRIDGE (“Defendant” or “the Village”) unconstitutionally prevented Plaintiffs from operating a licensed firearms store within the Village. Specifically, this case is proceeding to trial on the following causes of action: violation of the Second and Fourteenth Amendments (Count I); violation of the First Amendment (Count IV); and retaliation (Counts VI and VII). (Doc. No. 243).

Pursuant to Federal Rule of Civil Procedure 26(a), Plaintiff has disclosed a single expert witness, Mr. Miles Hall (“Hall”), who has provided opinions regarding the hypothetical lost profits of Ghost for the period of February 2011 through December 2013 to attempt to establish Plaintiffs’ damages. Ultimately, Hall opines that Ghost’s hypothetical lost profits for February 2011 through December 2013 are: \$6,426,822.52.

As is explained more thoroughly below, Hall is not qualified to render such opinions, and Hall’s methodology and opinions do not meet the threshold standards of Federal Rule of Evidence 702 and *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993). In fact, Hall’s

methodology and opinions are highly speculative and are not based on any accepted methodology or any facts presented in this case. As such, Hall's opinions and testimony should be excluded *in toto*.

### **LEGAL STANDARD**

Hall purports to offer opinions based upon an economic analysis. However, these opinions fail the applicable admissibility standards. Under Federal Rule of Evidence 702,<sup>1</sup> this Court may allow an expert witness to testify only if the expert's "scientific, technical, or other specialized knowledge will assist the trier of fact to understand the evidence or to determine a fact in issue," and "if (1) the testimony is based on sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case." Rule 702.

As gatekeeper of expert testimony pursuant to *Daubert*, this Court is to determine "whether the expert is qualified in the relevant field and whether the methodology underlying the expert's conclusions is reliable." *Winters v. FruCon Inc.*, 498 F.3d 734, 741 (7th Cir. 2007); *Higgins v. Koch Development Corp.*, 794 F.3d 697, 704 (7th Cir. 2015) (citation omitted). The Seventh Circuit has delineated the *Daubert* analysis for scientific opinions:

First, the district court must consider whether the testimony has been subjected to the scientific method; it must rule out subjective belief or unsupported speculation. Second, the district court must determine whether the evidence or testimony assists the trier of fact in understanding the evidence or in determining a fact in issue.

*Ancho v. Pentek Corp.*, 157 F.3d 512, 515 (7th Cir. 1998). In determining whether to allow expert testimony, courts are to consider the following four non-exclusive factors: (1) whether the expert's theory can be and has been tested; (2) whether the theory has been subjected to peer review; (3) a known or potential rate of error; and (4) the general acceptance of the theory. *Id.*

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<sup>1</sup> All "Rule" references are to the Federal Rules of Evidence, unless otherwise specified.

Here, Plaintiffs cannot meet their burden of establishing the admissibility of Hall's opinions. *Lewis v. Citgo Petroleum Corp.*, 561 F.3d 698, 706 (7th Cir. 2009). Hall and his opinions fail the *Daubert* test and, therefore, should be excluded.

### **HALL'S OPINIONS AND THEIR BASES**

As presented in his amended report, Hall's ultimate opinion is that Ghost's hypothetical lost profits for February 2011 through December 2013 are: \$6,426,822.52. (Hall's Amended Report, **Exh. C**, at 3; 9/27/18 Continued Deposition of Hall, **Exh. D**, at 278, ln. 18-24). Initially, Hall's opinion was that Ghost's hypothetical lost profits for the same time period were \$8,897,045.77. (Hall's Initial Report, **Exh. A**, at 3; 9/6/18 Initial Deposition of Hall, **Exh. B**, at 136-137, ln. 17-25, 1-3). Hall took the opportunity to revise his opinions and report when he could not explain his methodology at his initial deposition. (**Exh. B**, at 232, ln. 13-20; 233, ln. 12-25; 235, ln. 4-18; 236, ln. 17-19; 237, ln. 15-17; 237-8, ln. 20-25, 1-13).

According to his Initial Report and initial deposition testimony, Hall measured the population of a given geographical area around the Village, based upon census data as a percentage of total population of the State of Illinois. (**Exh. B**, at 124, ln. 10-14, at 217, ln. 7-13; at 218, ln. 1-6; at 218-219, ln. 20-25, 1-8). Hall then utilized that percentage of population to determine the potential firearm sales in the same given geographical area around the Village, based upon number of background checks run through the NICS data system for the purpose of purchasing firearms.<sup>2</sup> (*Id.*, at 181-2, ln. 21-25, 1-2; 182, ln. 9-14; 216, ln. 21-24; at 219, ln. 22-25; 220, ln. 1-8; 222, ln. 3-18; 223-224, ln. 14-25, 1-5; 226, ln. 2-9). Once that number of sales (based on NICS background check data) was determined, he then multiplied the number of sales

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<sup>2</sup> NICS is an acronym for the National Instant Criminal Background Check System, which is the criminal background check clearinghouse maintained by the Federal Bureau of Investigation's Criminal Justice Information Services Division. Firearms dealers who maintain a Federal Firearms License ("FFL") utilize NICS to determine whether a potential purchaser is eligible to purchase a firearm. NICS maintains data on how many requests for background checks are made by state by month and year. See, <https://www.fbi.gov/services/cjis/nics>, visited October 12, 2018.

by the average price for handguns and long guns. (**Exh. B**, at 228-229, ln. 19-25, 1-3; **Exh. E**). Looking at page 24<sup>3</sup> of Hall's Initial Report, in section 7, the potential revenue for handguns and long guns combined for the month of February 2011 is listed as \$3,943,321.49. (**Exh. A**, at 24; **Exh. B**, at 231, ln. 14-19, and 232, ln. 5-12). When asked how that figure of potential revenue for gun sales for the month of February 2011 then correlated or was used to generate the figures in Hall's "P&L," or profit and loss calculations in section 8 of his initial report, Hall could not answer and admitted he had made a mistake. (**Exh. A**, at 26; **Exh. B**, at 232, ln. 13-20; 233, ln. 12-25; 235, ln. 4-18; 236, ln. 17-19; 237, ln. 15-17; 237-8, ln. 20-25, 1-13).

Hall was then given an opportunity to determine any errors in his calculations and to provide an Amended Report (**Exhibit C**) and a continued deposition (**Exhibit D**) based on revised opinions presented in his Amended Report. At his continued deposition, Hall explained that he had utilized the "wrong" price per firearm to calculate the total revenues as presented in section 8 of his report. (**Exh. D**, at 284-5, ln. 17-24, 1-4; 285-6, ln. 13-24, 1; 287, ln. 9-21; **Exh. E**). Hall testified that he utilized the "correct" price per firearm to calculate the total revenues in section 7, which had been corrected as between his initial report and his amended report. (**Exh. D**, at 287-88, ln. 12-24, 1-24). However, as discussed more thoroughly below, his calculations are still not "correct" or able to be replicated; his math is still wrong.

Hall is not qualified to render opinions regarding lost profits in this case. Ultimately, Hall's opinions are based on his personal experience in the sports shooting industry (and not any financial or economic analysis industry or experience). His opinions are not based on any facts or evidence in this case, but rather are based on a hypothetical firearms store. Hall's opinions are too speculative and fail the *Daubert* threshold requirements, and, therefore, should be excluded.

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<sup>3</sup> Neither Hall's Initial Report nor his Amended Report include page numbers. For purposes of this Motion, we are counting pages beginning with the cover page as page number 1 and have identified information by section number.



## ARGUMENT

### I. HALL IS NOT QUALIFIED TO RENDER OPINIONS REGARDING ECONOMIC ANALYSIS AND HE SHOULD BE EXCLUDED.

In determining whether to allow Hall to testify as an expert witness, this Court is to determine first “whether the expert is qualified in the relevant field.” *Winters, supra*, 498 F.3d at 741. Further, “[t]he question to ask is not whether an expert witness is qualified in general, but whether his qualifications provide a foundation [to] answer a specific question.” *Myers v. Ill. Cntr. R. Co.*, 629 F.3d 639, 644 (7th Cir. 2010). Hall is not qualified in the relevant field of economics or economic analysis.

Hall opines regarding the potential lost profits of Ghost by performing an economic analysis. However, Hall admits that his experience is in the shooting sports industry, and not in any economics analysis. In his report, Hall states that his opinions are made to a “reasonable degree of certainty in our field,” and that field is “the shooting sports field.” (**Exh. B**, at 137-8, ln. 22-25, 1-2). Hall’s admitted field is shooting sports, not economics or damages analysis. (*Id.*)

Importantly, Hall is not qualified to render opinions in the field of economics, the exact opinions he is rendering in this case. (**Exh. F**, Report of Mary O’Connor, at 13-14). Looking at Hall’s biography (presented after section 16 of his initial report), one can see that Hall has no degrees in any economics-based fields, and he has no experience working in any economics-based fields. (**Exh. A**, at 102). Further, at his initial deposition, Hall admitted that he has no degrees of any kind, and particularly no degrees in any economics or financial fields, and has never worked as an accountant. (**Exh. B**, at 64, ln. 17-19; 65, ln. 7-9; 66, ln. 16-20). He does not hold any professional licenses or certifications in any economics field. (*Id.*, at 66, ln. 3-12).

His current consultation business “focus[es] ... on retailers in the – in either a gun store or a gun range. ... our goal is to help people be better in their businesses.” (*Id.*, at 45, ln. 19-23).

Hall is a consultant to other businesses, particularly firearms retailers, to assist with making a successful business. (*Id.*, at 46, ln. 12-19). Hall has never previously been retained as an expert to perform the type of analysis he is performing in this case; he is currently retained by Plaintiffs' counsel to perform a similar analysis of lost profits in another case involving Second Amendment issues that is currently pending in this District (*Second Amendment Arms, et al. v. City of Chicago, et al.*, N.D.Ill. Case No. 1:10-CV-4257, filed July 9, 2010). (*Id.*, at 47, ln. 8-24). Further, although Hall has testified as a firearms industry expert, Hall has never previously been retained as a damages expert and has never testified as a damages expert in any matter. (*Id.*, at 55-6, ln. 21-25, 1; 56, ln 8-24).

While Hall may have extensive experience and knowledge in the firearms industry to qualify him as an expert in that field, Hall does not have any training, knowledge, or experience to qualify him as an expert in any economics / financial field and to qualify him to render the opinions he seeks to render in this case. It is clear from Hall's report and testimony that he purports to offer an economic analysis to quantify hypothetical lost profits for Ghost. However, Hall has no undergraduate or graduate studies or degrees in economics, or any subfields of economics, or any other studies related to economics or any other financial field. Hall does not hold any degree in economics or accounting, "two fields from which damages experts commonly emerge." *Robertson Transformer Co. v. General Electric Company*, (N.D.Ill.) 2016 WL 4417019, \*4.

Courts in this District have excluded witnesses who do not have the requisite qualifications in the field in which they seek to render opinions. *See, e.g., Robertson Transformer, supra*, 2016 WL 4417019, \*4 (witness with experience in Bayesian statistics excluded as not qualified to render opinions based on his economics analysis, opining regarding plaintiff's claimed damages). *See also, Miller UK Ltd. v. Caterpillar, Inc.*, (N.D.Ill.) 2015 WL

10818831, \*6-7 (witness proffered as expert in clean room design excluded due to lack of qualifications in clean room design). Given that Hall does not have the requisite qualifications in any economics-based or –related fields, Hall is not qualified to render the opinions he does in this case. Thus, because Hall is not qualified to testify as an expert regarding economic analysis, Hall should be excluded.

## **II. HALL’S METHODOLOGY AND ULTIMATE OPINIONS DO NOT COMPORT WITH DAUBERT REQUIREMENTS FOR RELIABILITY AND SHOULD BE EXCLUDED.**

In determining “whether the methodology underlying the expert’s conclusions is reliable,” courts are to consider: (1) whether the expert’s theory can be and has been tested; (2) whether the theory has been subjected to peer review; (3) a known or potential rate of error; and (4) the general acceptance of the theory. *Winters, supra*, 498 F.3d at 741; *Ancho, supra*, 157 F.3d at 515. In determining whether to allow expert testimony, courts are to consider the following four non-exclusive factors: (1) whether the expert’s theory can be and has been tested; (2) whether the theory has been subjected to peer review; (3) a known or potential rate of error; and (4) the general acceptance of the theory. *Ancho, supra*, 157 F.3d at 515.

### **A. Hall’s methodology is not a generally accepted method for calculating lost profits damages, and Hall failed to consider standard aspects in calculating lost profits damages.**

Because Hall is not qualified and has no experience as an economics-based damages expert, he did not consider or utilize any professional standards in formulating and carrying out his methodology and calculations. (**Exh. B**, at 143-44, ln. 22-25, 1-3). Hall admitted he could not say whether his methodology has been generally accepted in his field of sports shooting (which field is not economics analysis). (*Id.*, at 146-47, ln. 4-25, 1-2). Further, Hall did not know if his methodology could be tested, could not state what the potential error rate is for any of his values,

and admitted his methodology has not been subject to peer review. (*Id.*, at 144-45, ln. 25, 1-7; 145, ln. 8-18; 145, ln. 19-24). *See, Ancho, supra*, 157 F.3d at 515. Hall admitted he utilized no practice aids or authoritative literature to formulate and utilize his methodology. (*Id.*, at 149, ln. 13-18).

There are two generally-accepted methods for calculating the value of a business for damages purposes, a lost profits model or a business valuation model. (**Exh. G**, Deposition of Mary O'Connor, at 49, ln. 12-16). In conducting a lost profits model, the expert is to consider the business's function and profits prior to the event giving rise to some loss of profits and then consider the business's function upon a period of restoration. (*Id.*, at 49, ln. 16-20; 50, ln. 14-24). The expert is to further consider the capabilities and financial position of the business when operational, the risks associated with determined profits (risk-adjusted), any potential avoided costs, and mitigation of damages, and such profits are to be computed or discounted to present value. (*Id.*, at 50, ln. 14-24; 53, ln. 10-13; 54, ln. 1-11; 56-59, ln. 4-24, 1-24; 66, ln. 1-19; 71, ln. 1-5, 18). Hall did not include or even consider any of these common elements to a lost profits analysis in his methodology. (**Exh. A**; **Exh. C**). *See also, e.g., Tuf Racing Products, Inc. v. American Suzuki Motor Corp.*, (N.D.Ill.) 1998 WL 299300, \*2, *aff'd* 223 F.3d 585 (2000), ("risk must be taken into account in calculating lost profits").

Here, Hall simply calculated the number of potential firearms sales, multiplied that number by an average sale price per firearm, then came up with a total potential profit based upon subtracting out costs and expenses based upon a percentage of profit margin (which he self-created, and which is discussed more thoroughly below). (*Id.*). He failed to consider the capabilities and financial position of the business when operational, the risks associated with determined profits (risk-adjusted), any potential avoided costs, and mitigation of damages, and such profits are to be computed or discounted to present value. (*Id.*; **Exh. G**, at 50, ln. 14-24; 53,

ln. 10-13; 54, ln. 1-11; 56-59, ln. 4-24, 1-24; 66, ln. 1-19; 71, ln. 1-5, 18). This methodology is not generally accepted as a model for calculating damages by experts in the economic damages field. (**Exh. G**, at 50, ln. 5-8; 54, ln. 1-11; 59, ln. 13-22). It appears Hall's methodology does not comport with any standards outlined in the National Academy of Sciences, Federal Judicial Center's Reference Manual on Scientific Evidence, 3d Ed., (2011), for computation of economic damages. Further, the Seventh Circuit has stated: "A witness who invokes 'my expertise' rather than analytic strategies widely used by specialists is not an expert as Rule 702 defines the term." *Zenith Electronics Corp. v. WH-TV Broadcasting Corp.*, 395 F.3d 416, 419 (7th Cir. 2005). As such, Hall's opinions and methodology are unreliable and should be excluded.

**B. Hall failed to consider any facts of this case and failed to apply his methodology to facts in this case.**

Hall admitted throughout his deposition that he calculated potential lost profits for a "hypothetical" firearms business, completely unrelated to Ghost. (**Exh. B**, at 106-7, ln. 25, 1-8; 136-7, ln. 23-25, 1-3; 177, ln. 12-21; 208, ln. 6-15; 209, ln. 5-25). Hall admitted various assumptions not based on any empirical data or facts in this case. Failure to consider or utilize facts of the case are grounds for exclusion of an expert's opinion and testimony. *See, e.g., Kirk v. Crane Co.*, (N.D.Ill. 2014) 76 F.Supp.3d 747, 753, *citing* Rule 702(d) ("any exposure" theory in asbestos matter found inadmissible for experts' "wholesale failure to base their opinions on facts specific to this case.")

For instance, Hall did not consider any of the following aspects in his analysis: whether Kole had an operating retail location for any period of time; whether Kole had a lease for any retail space; what kind of initial investment Kole made for Ghost; whether Kole had the capital to create the hypothetical business contemplated by Hall; whether Kole had a formal business plan; whether Kole could get financing from lenders; whether Kole could obtain sufficient

suppliers; whether Kole had good credit or would make sound business decisions; and whether Kole was a gunsmith or was certified to teach concealed carry permit classes, or if Kole even contemplated providing such services through his firearms business. (**Exh. A; Exh. C; Exh. B**, at 177, ln. 12-20; 209, ln. 6-25). Hall admitted that his analysis was not based on any actual facts or logistics of this case. (**Exh. B**, at 135, ln. 12-17; 209, ln. 6-25). Rather, Hall made the completely unsupported assumption that Kole “would rise to those occasions.” (*Id.*, at 135, ln. 24-25; 163, ln. 2-8).

Hall makes other unsupported assumptions as to the business the hypothetical firearms store would generate or receive. Hall assumed a geographical area within a 25-minute drive of the hypothetical store. (**Exh. A**, at 3, at 16-19 (section 5); **Exh. B**, at 120-121, ln. 23-25, 1). This assumption is unsupported by any objective criteria, standard, or market analysis; rather it is based on his personal experience. (**Exh. B**, at 122, ln. 1-5).

Hall assumed zero competition by any other firearms store anywhere in the greater Chicagoland area or elsewhere. (*See*, **Exh. A, Exh. C; Exh. B**, at 124, ln. 15-20; 125, ln. 3-8; 180-81, ln. 24, 1-4). Hall stated he assumed no competition and that the hypothetical store would receive all business in the geographical area because during the applicable time period the City of Chicago had an ordinance banning legal firearms stores. (**Exh. B**, at 124, ln. 15-20; 125, ln. 3-8; 178, ln. 12-21). This unfounded assumption does not consider any legal firearms stores outside Chicago city limits that would compete with Hall’s hypothetical store. Further, Hall completed no and did not rely on any market analysis to determine market demand, consumption, or buying trends or habits relative to the hypothetical location. (*Ibid.*; **Exh. G**, at 29, ln. 1-24).

Hall assumes a fully functioning business on day one, without any consideration of investment or initial costs for inventory buildup, advertising, retail space build out, or any other

initial capital outlay. (**Exh. B**, at 175, 11-19; 176, ln. 6-14). Further, Hall opines that the gross revenue for the hypothetical business during the very first month of operation (February 2011) is \$1,544,409.89. (**Exh. C**, at 27).

In addition, the percentages utilized by Hall to calculate profit margin were based solely on his personal experience in running his own sports shooting complex in Oklahoma (not in Illinois or in the Chicago area) and were not based on any published data or generally-accepted profit margins published by any trade organizations, governmental entity, or any other entity. (**Exh. B**, at 203, ln. 8-23; at 204, ln. 17-23). In fact, although Hall included trade reports from Dunn & Bradstreet and IBIS in his report, he failed to utilize any data, including percentages or points for profit margin as published in those trade reports, to formulate the profit margins utilized by him to produce his figures in this case. (**Exh. A**, **Exh. C**, sections 12, 13; **Exh. B**, at 252, ln. 7-24; 253, ln. 20-24; 254, ln. 1-3; 254, ln. 10-17; **Exh. G**, at 23, ln. 1-20).

Aside from the NICS data and the average price per firearm (as contained in **Exhibit E**), no other aspects of Hall's methodology are based on any facts, data, or other analysis published by any entities. Rather, the vast majority of Hall's methodology is based on his personal experience in running a sports shooting business in Oklahoma, and not on any experience as an economics damages expert. Pursuant to Seventh Circuit precedent, Hall should be excluded.

For instance, in *Zenith Electronics*, the Seventh Circuit affirmed the district court's exclusion of plaintiff's proffered damages expert witness, Robert Shapiro, as unreliable. *Zenith Electronics, supra*, 395 F.3d at 417-18, 420. There, Mr. Shapiro was to testify that WH-TV's "business would have grown rapidly, and its profits ballooned" had it not experienced technical difficulty with Zenith's cable boxes. *Id.*, at 417-18. Mr. Shapiro opined that the San Juan market was "unique" and that any comparison to any other markets would be "irrelevant." *Id.*, at 418. Furthermore, Mr. Shapiro admitted he had not applied "reliable principles and methods," did not

utilize sufficient facts, and relied solely on his experience. *Id.* In finding no abuse of discretion by the district court, the Seventh Circuit explained that “‘uniqueness’ of a market does not justify substituting a guess for careful analysis.” *Id.*, at 419. Rather, proffered expert witnesses are required to utilize “scientific approaches normal to their disciplines.” *Id.* (citation omitted). Hall has utilized his experience only and has not utilized reliable, generally accepted methods to generate his ultimate opinions. As in *Zenith Electronics*, Hall should be excluded. His methodology and ultimate opinions are not reliable; they are highly speculative, wildly overstated, and cannot be reproduced. They should be excluded pursuant to Rule 702 and *Daubert* standards.

**C. Even after taking an opportunity to correct methodological errors, Hall’s computations are still incorrect and are not able to be replicated.**

At his continued deposition, Hall testified that the error he discovered at his initial deposition derived from use of the “wrong” price per gun. (**Exh. D**, at 284-5, ln. 21-24, 1-4; 285-6, ln. 8-24, 1-9; 287-8, ln. 9-24, 1-9). Hall explained that in his initial report, he had used the overall average price for each type of gun, rather than using the average price per gun per year. (*Id.*, at 287-8, ln. 9-24, 1-9). Hall testified that the only difference between his initial report and his amended report was the correction of this price; in his amended report, the potential revenue for each type of gun was based on number of units potentially sold multiplied by the average price for each year as represented in the Southwick price report.

However, even after taking the opportunity to go over and revise his report, the math is still incorrect and his methodology is, therefore, not able to be replicated. Looking at Hall’s revised report, it is still unclear how Hall generated his figures. If one utilizes Hall’s stated methodology, one cannot calculate the numbers presented by him in his amended report. Based upon Hall’s population calculations, the percentage of population in the affected area is 8.5%. If



one looks at the potential handgun sales for the entire State of Illinois presented on page 22 of Hall's revised report, a total of 11,644 potential handgun sales is listed for February 2011. (**Exh. C**, at 22). If one multiplies 11,644 by 8.5%, one gets the 992 figure presented on page 24 of Hall's revised report presenting potential handgun sales for the geographical area contemplated in his analysis. (*Id.*, at 24).

If one attempts the same methodology for long gun sales for February 2011, the math does not compute. Looking at the potential long gun sales for the entire State of Illinois presented on page 22 of Hall's revised report, a total of 10,778 potential sales is listed for February 2011. (*Id.*, at 22). If one multiplies 10,778 by 8.5%, one gets 916.13 potential sales for the stated geographical area. 916 is not the number listed in Hall's report however; looking at page 24 of Hall's revised report, Hall lists potential long gun sales as 507 for the month of February 2011. (*Id.*, at 24). Thus, it is impossible to know how Hall generated these figures, and his methodology is unknown and unable to be replicated, even after Hall amended his report to correct errors.

Further, assuming 507 is "correct" as potential long gun sales in February 2011, the potential revenue for those 507 units is still incorrect as well. On page 25 of Hall's revised report, Hall presents charts containing potential revenue for the firearms sales. (*Id.*, at 25). Looking at long gun revenues for February 2011, Hall lists a potential revenue of \$308,934.15. (*Ibid.*). If one divides the potential revenue number of \$308,934.15 by the 507 units number presented on page 24, one gets a price per unit of \$609.34. Hall stated he utilized the \$608.87 figure from the Southwick report as the price per long gun in 2011. (**Exh. E**). But, clearly, he did not.

Thus, even after taking an opportunity to correct any mathematical or methodological errors contained in his initial report, Hall's amended report still contains mathematical or

methodological errors and one cannot discern what calculations he used to get to certain numbers presented. As the court explained in *Zenith Electronics*, an expert's methodology must "produce[] an accurate estimate using professional methods, and this estimate must be testable." *Zenith Electronics, supra*, 395 F.3d at 419. Thus, Hall's methodology and opinions are unreliable, are not able to be replicated, and are not "testable." As such, Hall's opinions and testimony should be excluded.

### **CONCLUSION**

Based on the foregoing, Hall's methodology and opinions are not reliable and should be excluded. They are not based on any generally-accepted methods or standards, are not able to be replicated, are not based on any verifiable facts or data, and are not based on any facts or evidence specific to this case. As such, Hall's methodology and opinions are highly speculative and do not meet the threshold requirements of Rule 702 and *Daubert*. Thus, this Court should exclude the opinions and testimony of Plaintiffs' expert witness, Miles Hall, *in toto*.

VILLAGE OF NORRIDGE

/s/ Kathleen M. Kunkle  
\_\_\_\_\_  
One of its Attorneys

Thomas G. DiCianni / ARDC #03127041  
tdicianni@ancelglink.com

Daniel J. Bolin / ARDC #6295932  
[dbolin@ancelglink.com](mailto:dbolin@ancelglink.com)

Kathleen M. Kunkle / ARDC #6281796  
kkunkle@ancelglink.com

**ANCEL, GLINK, DIAMOND, BUSH, DICIANNI & KRAFTHFER, P.C.**

140 South Dearborn Street, 6<sup>th</sup> Floor

Chicago, Illinois 60603

(312) 782-7606 – Fax: (312) 782-0943

**CERTIFICATE OF SERVICE**

I hereby certify that on **October 15, 2018**, I electronically filed the foregoing **MEMORANDUM OF LAW IN SUPPORT OF DEFENDANT'S MOTION TO EXCLUDE PLAINTIFFS' EXPERT'S TESTIMONY AND OPINIONS** with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to:

David G. Sigale  
Law Firm of David G Sigale, P.C.  
799 Roosevelt Road, Suite 207  
Glen Ellyn, IL 60137  
Email: [dsigale@sigalelaw.com](mailto:dsigale@sigalelaw.com)

/s/ Daniel J. Bolin

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DANIEL J. BOLIN / ARDC # 6295932  
One of the attorneys for Defendant, Village of  
Norridge

ANCEL, GLINK, DIAMOND, BUSH,  
DICIANNI & KRAFTHEFER, P.C.  
140 South Dearborn Street, Sixth Floor  
Chicago, Illinois 60603  
Telephone: (312) 782-7606  
Facsimile: (312) 782-0943  
E-Mail: [dbolin@ancelglink.com](mailto:dbolin@ancelglink.com)

*Tony Kole, et al., v. Village of Norridge*  
*Case No. 11-CV-03871*

# EXHIBIT A



3224 South Broadway Avenue, Suite 250  
Edmond, Oklahoma 73013

July 24<sup>th</sup>, 2018

# Special Project

Norridge

For  
Mr. David Sigale  
799 Roosevelt Road, Suite 207  
Glen Ellyn, Illinois 60137

*Tony Kole, et al., v. Village of Norridge*  
*Case No. 11-CV-03871*

# EXHIBIT A

## Executive Summary

We were asked to complete the following task:

**“To provide a realistic P&L (Profit & Loss) projection for a shooting sports store for the time line of February 2011 to the end of 2013 in Norridge Illinois, and also servicing the northern part of Chicago above highway 290. There was to be one store opened during this period of time in the city.”**

This report presents the results of several sources and our 37+ years of experiences in the shooting sports area. The results presented are in an effort to overcome biases and show a realistic view of what could have been accomplished in the timeline given. We took into account the population of the State (at over 12 million) and at City (at over 14,000) and added in 40% of the population of Chicago (more info on that below). We have included formulas where applicable and showed the several industry or city revenue variances also known as “Rushes” that happened. The weighting process is conducted dynamically with each part to reflect the general hunting and shooting sports sales as accurately as possible. We have strived to define terms and areas in such a way to help the reader follow the sometimes-unknown words, phrases and related business terms.

In our charge of striving to give the fairest picture we used sources from banking, and basic business formulas. We also used censuses data from the US Censuses Bureau, and the NICS (National Instant criminal back ground Check System) data center which is a division of the US Department of Justice. The shooting sports is a unique business, so we also used surveys. All of these sources will have been compiled in the best method possible by their respected agencies. We took time to talk to industry retailers, distributors, manufactures and trade groups to complete the picture that the data was pointing to. In addition, we interviewed Tony Kole regarding his past experiences in the shooting sports field, including the data from the business he had operated in Norridge. We also reviewed his deposition transcripts and financial/sales/tax data that were provided to us. We understand that those documents were provided to the Village of Norridge during the litigation process. We also reviewed the Judge’s amended summary judgment ruling dated November 6, 2017, the Third Amended Complaint, the agreement dated November 30, 2010 and a zoning map used in the litigation. We feel that this report is a fair reflection of what the market was during the time line and geographical boundaries set. When given the opportunity we did take a more conservative view and as a result the final number could have been higher. Again, our charge was to give the fairest picture.

In order to find the most fair and factual percent of potential sales for this operation we used the NICS data compiled by the U.S. Justice department. This detailed data is divided down by each state. In addition, into many sub-categories. For the purposes of this report we took only the two most relevant categories (Long Gun and Hand Gun Sales). We looked at the area north of I290 in Chicago for our report which is within 25 minutes of the retail store. After using US Census Bureau data, we concluded that approximately 50% of the population of Chicago lived in this area. For this report we decided to utilize 40% of the population of Chicago which we feel is a very conservative number.

That would give us the number of units sold and the next step was to get the average selling price of units. We found a detailed survey that broke out both hand and long guns. It also broke it out to the state level and even to the year. That chart is also in this report.

The passing of concealed carry for the common citizen in July of 2013 would have been a significant impact on sales. For the purposes of this report we did a student count of 30 per class for the five remaining months teaching 6 days a week. The cost per student was figured at \$300 respectfully starting in August of 2013.

The other revenue departments were calculated on a percent that was typical for an operation like this. The cost of sales was figured in the same spirit and could have been far less as the operations buying power grew. Cost of running the operation was calculated a bit high but could have been less as scale and refinement of duties in the store would have been realized.

We have also listed several areas of additional revenue that were NOT included as we wanted to keep to the charge given and use documented and or supported sources to get the fairest picture.

**In the end the Net profit for the operation for the time line was \$ 8,897,045,77**

As with all such reports, there are variables and considerations (discussed herein) that could increase or decrease the final number. This report is our opinion to a reasonable degree of certainly in our field as to the lost profits suffered be Tony Kole and/or Ghost Industries as a direct result of not being able to open a retail shooting sports establishment by the Village of Norridge during the relevant timeframes.



## Main Objective & Methods

A. Key Objective

B. Introduction & Methods

### Content Items

1. Normal Retail Operation Income Items
  - A. Margin Definition
  - B. NICS & Firearm Sales Data Introduction
  - C. CCW Conceal Carry Weapons permit Introduction
2. Normal Retail Expense Items
3. History of Industry Rushes and Time Lines
4. Time line of Store Opening
5. Population Data and graphs for Illinois, Norridge and North Chicago Above Highway 290
6. Monthly NICS Data for Illinois
7. Monthly NICS Baseline Assumptions for Norridge and North Chicago
  - A. Count & Dollars
8. Monthly P&Ls
9. Summaries of Annual P&L Cumulative by year
10. Estimated Lost Sales Tax Revenue for City & State
11. Income Items **NOT** Included
12. Other Variables to Consider
13. Biography

## Key Objective

**“To provide a realistic P&L (Profit & Loss) projection for a shooting sports store for the time line of February 2011 to the end of 2013 in Norridge Illinois, and also servicing the northern part of Chicago above highway 290. There was to be one store opened during this period of time in the city.”**

## Introduction and Methods

This report presents the results of several sources and our 37+ years of experiences in the shooting sports area. The results presented are in an effort to overcome biases and show a realistic view of what could have been accomplished in the time line given. We took into account the population of the state (at over 12 million) and the city (at over 2.7 million). After calculating the city population we took 40% of that number (which as calculated was within a 25 minute drive to the store). We have included formulas where applicable and showed the several industry or city revenue variances also known as “Rushes” that happened. The weighting process is conducted dynamically with each part to reflect the general hunting and shooting sports sales as accurately as possible. We have strived to define terms and areas in such a way to help the reader follow the sometimes-unknown words, phrases and related business terms.

A note on statistical reliability. In our charge of striving to give the fairest picture we used sources from banking, and basic business formulas. We also used censuses data from the US Censuses Bureau, and The NICS (National Instant criminal back ground Check System) data center which is a division of the US Department of Justice. The shooting sports is a unique business, so we also used surveys. All of these sources will have been compiled in the best method possible by their respected agencies. As a result, the numbers reported are subject to sampling variability, often called the “margin of error”. This is typically presented as +/- some percentage to indicate the range of values. We took time to talk to industry retailers, distributors, manufactures and trade groups to complete the picture that the data was pointing to. We feel that this report is a fair reflection of what the market was during the time line and geographical boundaries set. When given the opportunity we did take a more conservative view and as a result the final number could have been higher. Again, our charge was to give the fairest picture.

## 1. Normal Retail Operation Income Items

The shooting sports stores income/revenue, and for the purposes of this report, are laid out in departments. We have tried to explain what each one of those departments included and an average margin and percent of total revenue. There are sales for hard goods and educational or intellectual sales for training, memberships, and appraisals, etc. that have very little or no cost associated with them, so the margin will be much higher in those areas. All departments tend to feed on the others as well. Safety training leads to gun sales. Gun sales lead to accessory sales etc... Most retail operations are open six to seven days a week. Hours of operation will vary, but we see about 80 hours a week is fairly common. There are many suppliers/wholesalers available to operators. An established dealer will have had little trouble getting inventory and will take a priority over other non-established ones during the rushes. The opening inventory used wisely, and good credit history will allow for adequate growth in the operation.

### A. Margin

The selling of merchandise and services in the retail world works on “margin”. This is a special word and as such, one needs to understand the reason and formula. Basically, you are figuring a percent from the actual selling price or MSRP down to its actual cost. This is also referred to or known as points. An example is if the Item Cost is \$100 a 30% Margin would have a final selling price of \$142.86. Most all fees, such as sales tax, insurance, and credit card fees are based on the retail selling price, so the margin is critical. This operation was to be in the city of Chicago, and so margins could have been higher, as there is very little competition for these goods.

### B. NICS & Firearm Sales Data Introduction

In order to find the fairest and factual percent of potential sales for this operation, we used the NICS data compiled by the U.S. Justice Department. This detailed data is divided down by each state and additionally, into many sub-categories. For the purposes of this report, we took only the two most relevant categories (Long Gun and Hand Gun Sales). Chicago represents roughly 22% of the overall state population and we divided that number to get the number of potential sales for that area. In addition, we only allotted 40% of that number for this store. We have provided a detailed chart and formula used in this report.

### C. CCW Concealed Carry Weapons Permit Introduction

The passing of concealed carry for the common citizen in July of 2013 would have had a significant impact on sales. For the purposes of this report, we did a modest student count of only 30 per class teaching six days a week. The cost per student was figured at \$300 starting in August of 2013.

## Revenues

- Law Enforcement & Military Personnel Sales

Most all FFL (Federal Firearms License) dealers serve the local Law Enforcement and Military community right along with the general public. It is convenient for officers to use such dealers and there is special pricing for them on most all products. Margins on these items are typically low but serving the needs of the local officers is just part of the spirit of the business. For the purpose of this report, we are using 12 points. The average percent of total revenue is in the 3-5% area.

- Ammo

In the area of ammunition, there are hundreds of different calibers and gauges. Within this are two basic styles for most handguns, practice and defense/duty. In long guns, you will add to that hunting. They all serve a purpose for the guest. Margins on ammo are in the range of 35 to 40 points. It is also a fast rotation in the inventory line. For the purpose of this report, we are using 35 points. The average percent of total revenue can vary from 10 – 23% depending on the overall inventory mix and style of operation.

- Gunsmith Labor

With the very large numbers of units in the market and some of those are very old, the need for a good gunsmith is important to serve the guest well. Labor fees will typically fall into about \$60 - \$80 per hour on basic work orders. The average percent of total revenue is in the 0.8–1.2% area.

- Gunsmith Parts

Parts such as sights, triggers, springs, pins etc. are just a small sampling of items in this department. Cleaning and fine tuning of the mechanics are commonplace. The margin on parts is in the 25 to 35-point range with some of the smaller items (screws, pins etc.) going up to 90 points. For the purpose of this report, we are using 30 points. The average percent of total revenue is in the 6-8% area.

- Gun Sales (Long Gun & Handgun / New & Used)

Firearm sales normally make up the majority of sales revenue. The department is primarily in either long gun or handgun. There are hundreds of different models, styles, calibers, and sizes. For the purposes of this report, we will show the cumulative of the two areas of Long gun and Handgun. There is also “New vs. Used”. The used gun market serves several purposes. It’s a place for guest wishing to trade in or sell their older models in for new. On the dealer side, this is a very high margin item, 40 to 60 points. The margin on new firearms is 20 to 24 points. Once a dealer reaches a certain buying threshold then margins go up to 25 to 29 plus points. For the purposes of this report, we did an average of 25 points. The average percent of total revenue is in the 48-54% area.

- Targets

All stores will sell a variety of targets that the guest can use when practicing at a range or in the country. The margin on Targets is from 40 to as much as 75 plus points. For the purposes of this report, we did an average of 40 points. The average percent of total revenue is in the 0.4-1.3% area.

- Training (part 1)

The shooting sports at its core is a mentored one. Teaching, and fellowship are an intricate part of all team members and their interaction with guests. Formal classes take many forms. Basic skills (introduction), home defense, advanced, security, private investigator, less than lethal and CCW (concealed carry weapon) to name a few. This item will show revenue for all but CCW which did not officially start until July 2013. We set the CCW as a separate item. The margin in this department is from 90 to 95 points depending on the compensation of the instructor. For the purposes of this report, we did an average of 90 points. The average percent of total revenue is in the 2.8 – 3.5% area.

- CCW Concealed Carry Weapon Classes (part 2)

In this model, the passing of concealed carry for the common citizen in July of 2013 will be a significant impact on sales. The margin in this department is from 90 to 95 points depending on items from the instructor. For the purposes of this report, we did a student count of 30 per class. Teaching 6 days a week. The cost per student was figured at \$300. Starting in August of 2013. For the purpose of this report, we are using 90 points.

- Coke & Candy Sales

Refreshment items such as drinks and candy will be a steady part of the sales. Margins are at the very least at 50 points. For the purpose of this report, we are using 50 points. The average percent of total revenue is in the 1.8 – 2.2% area.

- Co-Op Funds

This is for the funds provided by manufacturers of product bought by the dealer. Typically, it's in the 2-5% range. These funds are used to help purchase advertising and in other related ways of marketing the business. For the purpose of this report, we are using 3%. There is no direct cost of goods associated with this. The average percent of total revenue is in the 0.75 -1.5% area.

- Consignment & Transfer Fees

Many guests will have items such as guns and some related items that they will ask a dealer to sell for them. Many dealers will take these on a consignment basis, doing all the paperwork related for a standard sale and charge a fee for it. We see between 20 & 25% around the country. Many guests will acquire or inherit units from family in other states or buy in other states. Under Federal law, those units are sent directly to the FFL dealer, and then they will do all the paperwork related for a standard sale and charge a fee for it. There is no direct cost of goods associated with this. The average percent of total revenue is in the 1.2 – 1.7% area.

- Inventory (All other hard items not listed.)

This will be for all other items not listed above, such as clothing, cleaning, holsters, cases, optics, and related support items. The margin in this department is from 40 to 50 points. For the purposes of this report, we went with 45 points. The average percent of total revenue is in the 21 - 23% area.

- Interest Income

This is to record the interest income of floating funds in the bank accounts.

- Other Income

A place to put any additional income that is not listed above.

**NOTE:**

*There are a number of income items we did not include but could be considered. The values of these would have been important to owners and team members. Later in this report in section 10 is a starting list of those items. Should you elect, and we have the time, we can gather that together and render a value to them.*

## 2. Normal Retail Expense Items

The expenses for a retail shooting sports store are not too far off any retail operation. Security, licenses, and insurance being one of the exceptions. For the purposes of this report, we have estimated on the normal to the high side.

### Expenses

- **Advertising Expense**

Marketing takes many forms, but all of those costs will be funneled into this item. The average shooting sports store will average between 1.5 and 3% of revenue with the ebb and flow of holidays and special events being a couple of the variables. For the purposes of this report, we used 2.5%

- **Auto Expense**

It may have been justified to have at least one vehicle to navigate between stores and suppliers for the purposes of this report show the estimated cost of one. Those fees are typically in the 0.05 to 0.1% range. For the purposes of this report, we used 0.1%

- **Bank Charges**

These will cover the added expenses of operation the actual checking accounts to operate the business. Those fees are typically in the low 0.0002 to 0.005% range. For the purposes of this report, we used 0.005%

- **Credit Card Fees**

All retail business has fees associated with accepting credit cards as a payment for services and products. The guest does not incur that only the business. Those fees are typically in the 2.5 to 3.5% range of the actual sale. For the purposes of this report, we used 3.0%

- **Team Member Cost**

Payroll, Uniforms, Certifications and special benefits are all a part of the area. Those fees are typically in the 12.5 to 19.555% range. For the purposes of this report, we used 17.664%

- **Dues & Subscriptions**

For most all retailers there will be dues & subscription cost for trade, civic and local business groups. The Shooting Sports is no different. All cost associated with these will go into this item. For the purposes of this report, we used 0.01%

- **Freight**

Charges for freight are for the most part covered by the suppliers but should there be an exception to that the cost will go onto this item. For the purposes of this report, we used 0.01%

- **Gunsmith Tools**

Repair, maintenance, upgrading & cleaning to name a few, by the gunsmith require specialized tools, and the cost for those will fall into this item. For the purposes of this report, we used 0.02%

- **Insurance**

Loss, property and liability coverage will go into this item. For the purposes of this report, we used 0.08%

- **Legal, Professional & Compliance**

Most all retailers will have ongoing fees for accounting, legal, business consultants and the like. This area will also show the folks used for compliance matters. This item will be for all of those costs. For the purposes of this report, we used 1.01%

- **Property & Other Misc. Tax**

This item will be for all taxes that go for property, inventory and the like. For the purposes of this report, we used 0.007%

- **Maintenance & Office**

Maintenance is an ongoing matter, and all charges for such matters will go into this department along with cost associated with running the offices, compliance and other needed offices. For the purposes of this report, we used 0.07%

- **Meals & Entertainment**

Cost associated with meetings and gatherings will go into this item. For the purposes of this report, we used 0.02%

- **Rent/Mortgage**

Location will have either rent in some form or a mortgage. For the purposes of this report, we used 2.0%

- **Utilities & Telephone**

Beside utilities and telephone cost we will be including the security system and cameras in this item. For the purposes of this report we used 0.2%

- **Travel**

This item will include the cost of traveling to special training programs, trade shows and industry education gatherings. For the purposes of this report, we used 0.1%

- **Cash Over & Short**

Most all retailers who use registers to transact sales will have variances in the drawer. This will help reconcile those variances in this item. For the purposes of this report, we used 0.001%



- **Licenses (Federal, State & Local)**

Beside normal business licenses for a retailer, there are federal ones for the operation of a shooting sports operation. They have several classifications depending on the need to serve the guests for that area. A store will be required to have one and the cost associated with that will be in this item. For the purposes of this report, we used 0.002%

- **Distributor / Buying Group Fees**

As a retailer gets established, they have the option to join a co-op or buying group. These groups allow for better buying of hard goods and the fees associated with that group will be recorded in this item. For the purposes of this report, we used 0.001%

- **Training**

Team member training comes in many areas and this would be for onsite or local universities or trade schools and the cost associated with those. For the purposes of this report, we used 0.2%

- **Other Expenses**

Retailers have lots of smaller expenses that do not warrant a separate department for them. Any other expenses not listed above will go into this department. For the purposes of this report, we used 0.1%

### 3. History of Industry Rushes and Time Lines

As stated before, a division of the US Justice Department is the NICS operation center. When folks go to purchase a firearm from a federally licensed dealer, they are required to provide to NICS information about the buyer and receive a proper disposition. The industry is and has, had wild swings in sales going back long before the NICS process was in place. The ability to better track those variances because of NICS is what we have listed below. Although not perfect it does show the trends.

#### **Largest NICS Sales Dates 1998-2018**

Outlined here are some of the “rush dates” that took place during the time period that the FBI NICS system tracks for context on things affecting gun sales. Highlighted in **green** are dates that fall into the timeline of the key objective.

#### **General happenings of note:**

1999 end of century worries. (Weeks without breaks)

2001 attack

2003 war

2004 end of so called assault ban

2008 election (first six figure revenue days for many dealers was on Nov 8)

2009 had several pushes but not as lengthy.

**2012 election (ramp-up started in late July with November & December the peak)**

**2012 Sandy hook (5 weeks straight only break was Christmas Day) started Friday the 14th and for many dealers six figure days did not stop until late January. Actually, the overall rush did not calm (sort of) until mid-April**

**2013 Illinois passes conceal carry for the average citizen in July. After approving instructors teaching of the public started in earnest in August/September/October of this year. Demand stayed strong for training for the next year and half before settling into a steady pace.**

**Specific NICS Data:****NICS Firearm Background Checks  
Top 10 Highest Days**

November 30, 1998 - April 30, 2018

Rank / Date

1	Fri, Nov 24, 2017	203,086
2	Fri, Nov 25, 2016	185,713
3	Fri, Nov 27, 2015	185,345
4	Fri, Dec 21, 2012	177,170
5	Fri, Nov 28, 2014	175,754
6	Tue, Mar 04, 2014	167,585
7	Thu, Dec 20, 2012	159,604
8	Fri, Nov 23, 2012	154,873
9	Sat, Dec 22, 2012	153,697
10	Wed, Dec 19, 2012	153,672

**NICS Firearm Background Checks  
Top 10 Highest Weeks**

November 30, 1998 - April 30, 2018

Rank / Dates

12/17/2012 - 12/23/2012	953,613
12/14/2015 - 12/20/2015	839,109
12/07/2015 - 12/13/2015	790,950
02/24/2014 - 03/02/2014	783,620
12/18/2017 - 12/24/2017	714,237
03/03/2014 - 03/09/2014	697,770
11/30/2015 - 12/06/2015	697,247
02/26/2018 - 03/04/2018	684,723
02/08/2016 - 02/14/2016	676,464
11/20/2017 - 11/26/2017	672,897

NOTE: These statistics represent the number of firearm background checks initiated through the NICS. They do not represent the number of firearms sold. Based on varying state laws and purchase scenarios, a one-to-one correlation cannot be made between a firearm background check and a firearm sale.

4. Timeline of stores opening

In order to successfully serve the law-abiding citizens, Law Enforcement and Military personnel of the city and surrounding area efficiently, it was proposed to have one store.

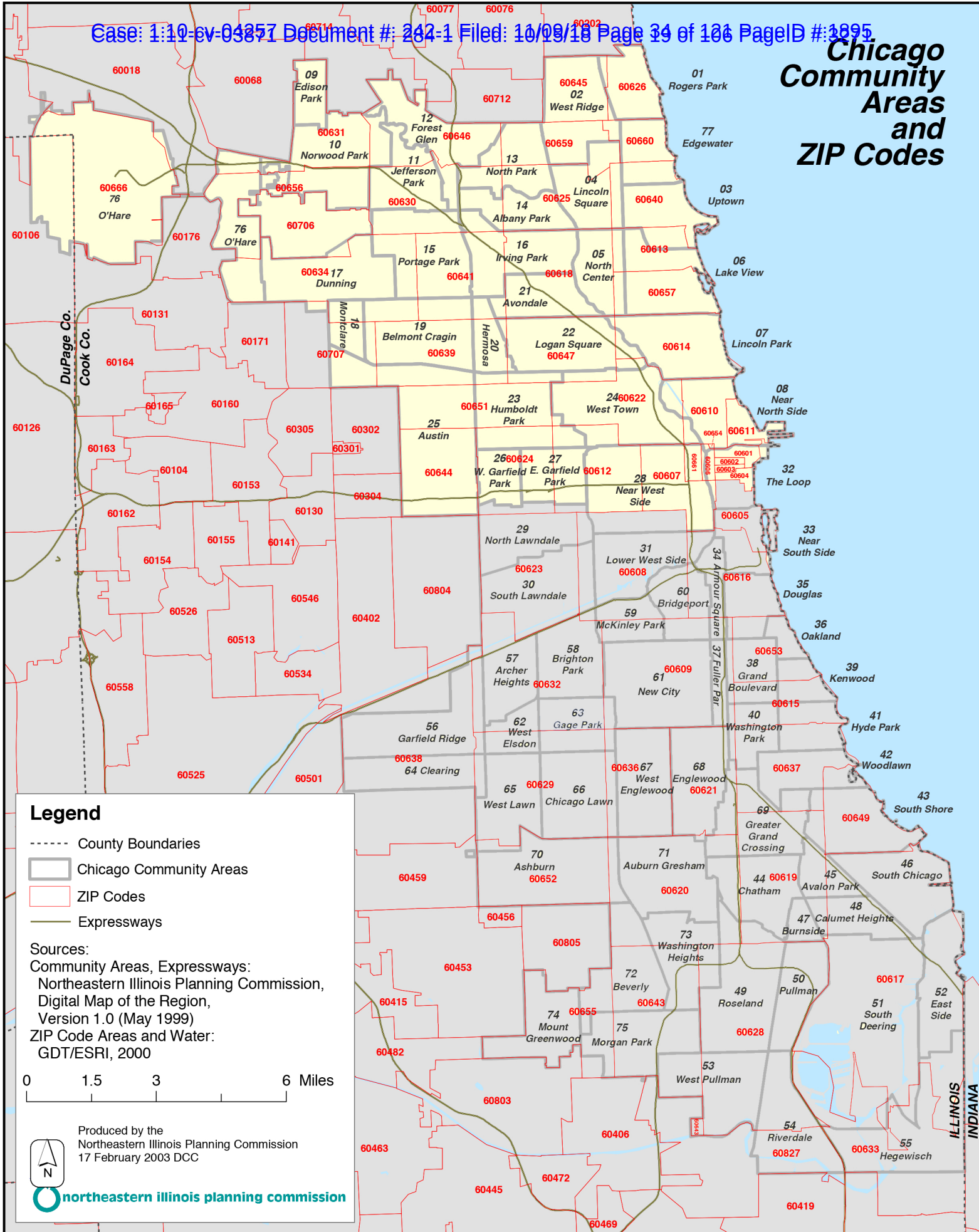
Open	Total number of Months
------	------------------------

1. Feb 2011 - Dec 2013	34 Months
------------------------	-----------

5. Population Data and graphs for Illinois, Norridge and North Chicago

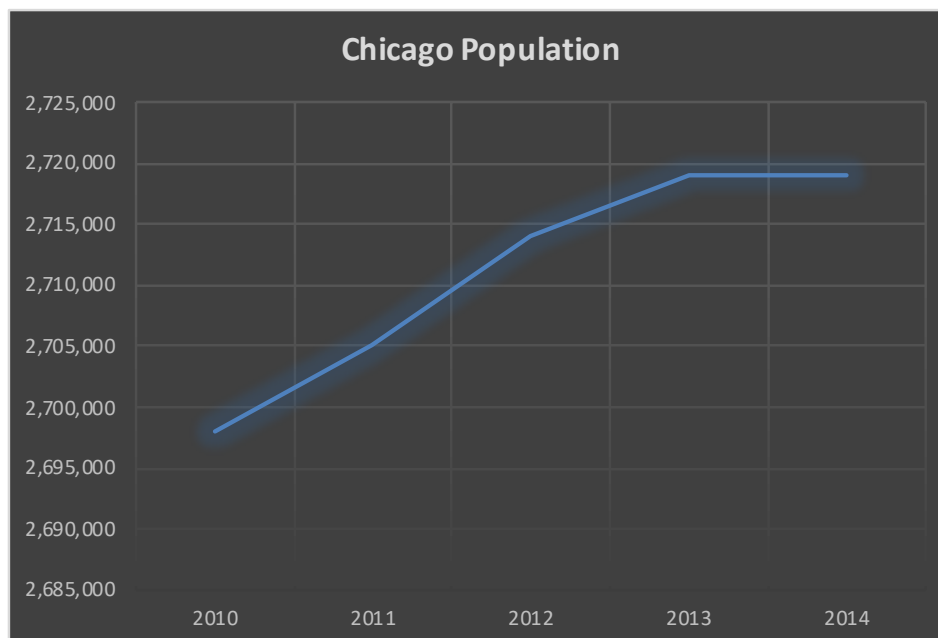
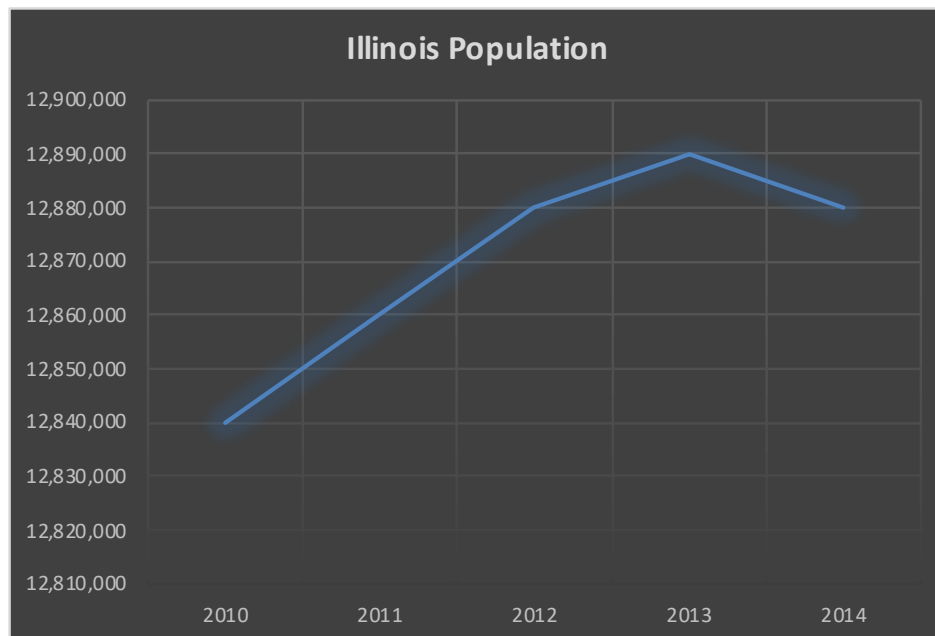
All Areas on Map Highlighted Yellow were used for calculations

# Chicago Community Areas and ZIP Codes



Years	IL	CH	% Living in CH
2007	12,700,000	2,810,000	22.13%
2008	12,750,000	2,830,000	22.20%
2009	12,800,000	2,850,000	22.27%
2010	12,840,000	2,698,000	21.01%
2011	12,860,000	2,705,000	21.03%
2012	12,880,000	2,714,000	21.07%
2013	12,890,000	2,719,000	21.09%
2014	12,880,000	2,719,000	21.11%
2015	12,860,000	2,714,000	21.10%

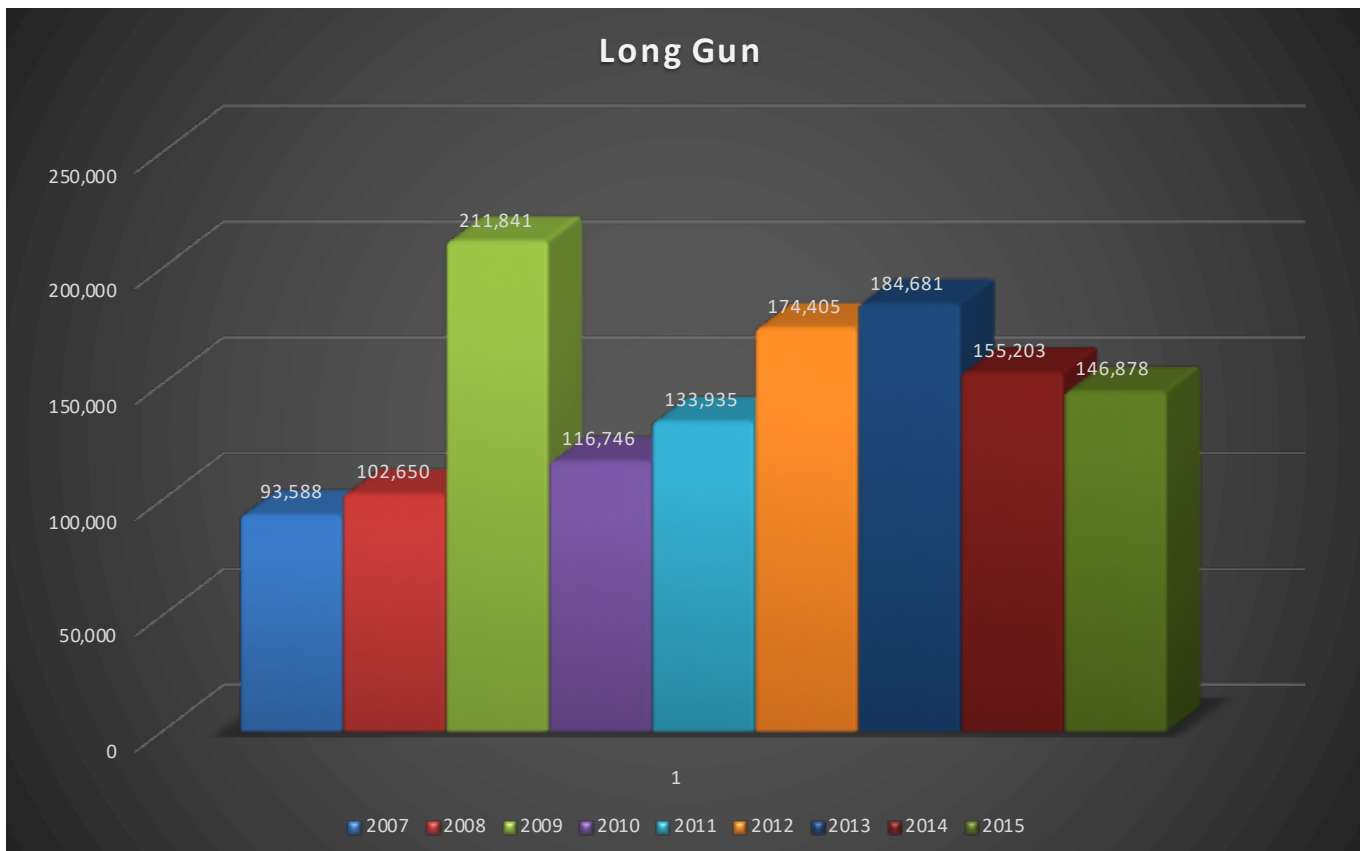
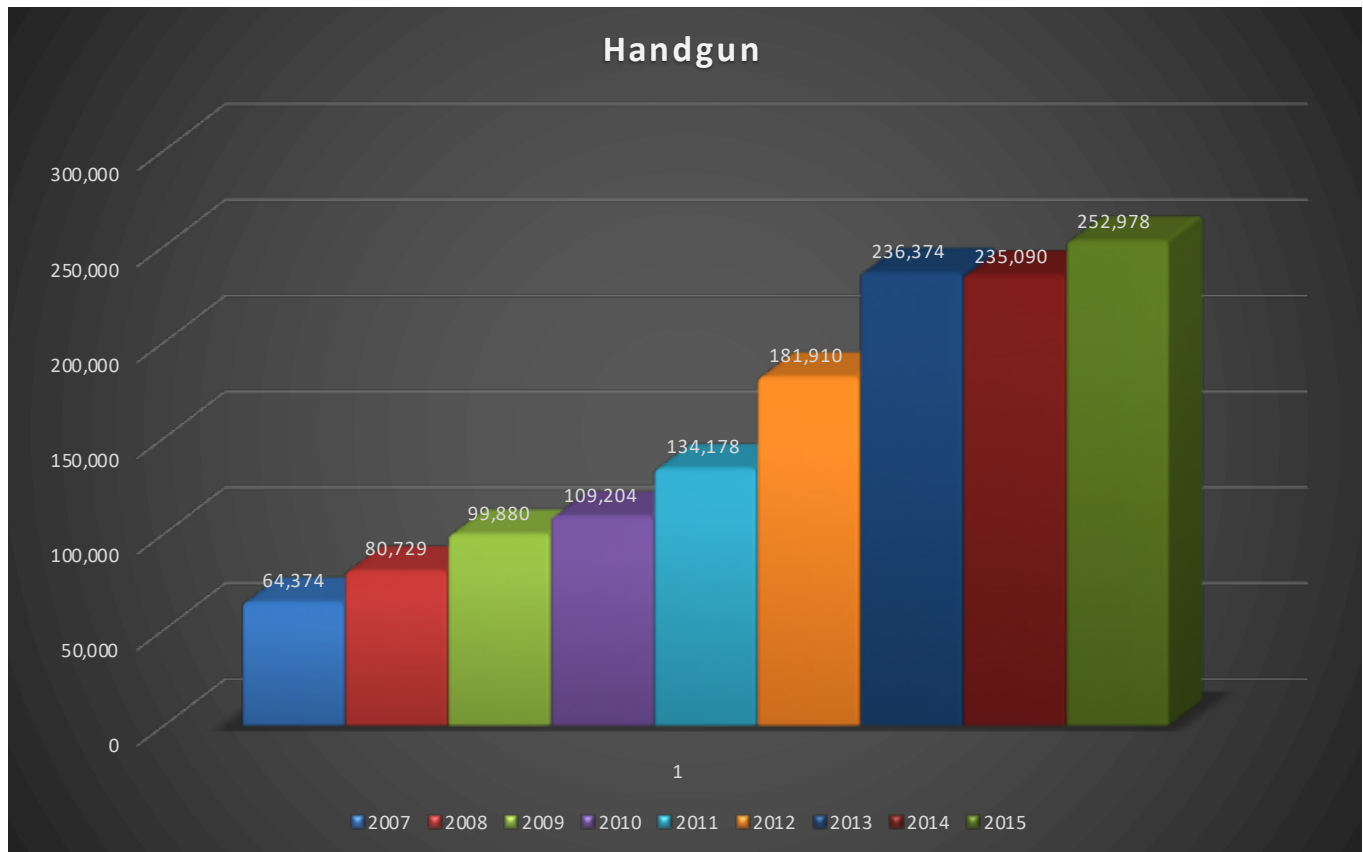
\*Population data collected from US Census Bureau



\*Population data collected from US Census Bureau

6. Monthly NICS Data for Illinois





\*Information above is graphed exactly from FBI NICS Data

## STATE Handgun

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	5,198	5,761	6,468	5,479	5,105	4,699	4,348	5,159	4,638	5,503	5,377	6,639	64,374
2008	6,366	7,275	8,214	6,230	6,268	5,228	5,375	5,521	5,265	6,422	8,864	9,701	80,729
2009	9,012	9,434	11,271	9,711	7,541	6,907	6,742	6,978	6,722	8,321	7,925	9,316	99,880
2010	8799	9998	11425	8557	8304	7818	7950	8621	8469	8918	9128	11217	109204
2011	10486	11,644	14,745	11,468	9,700	9,059	8,812	9,947	9,915	10,417	12,039	15,946	134,178
2012	13,424	17,750	17,725	14,524	11,987	11,820	11,401	12,980	11,788	13,118	16,845	28,548	181,910
2013	31,185	24,175	23,779	18,421	16,142	15,062	15,986	16,360	14,147	17,090	20,356	23,671	236,374
2014	20164	23448	26637	21131	17848	15406	15798	16532	16060	17927	19282	24857	235090
2015	20,682	23,614	17,517	19,123	19,457	17,666	18,469	18,088	17,451	19,306	24,412	37,193	252,978

## Long Gun

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	7,155	7,438	8,451	6,121	5,224	5,062	5,158	8,193	7,590	9,571	11,499	12,126	93,588
2008	7,633	8,002	9,393	6,643	6,334	5,228	5,732	7,899	8,084	9,829	14,439	13,434	102,650
2009	9485	9809	12079	9588	7609	7155	6733	9265	9425	11369	12399	106925	211841
2010	9303	10190	11398	8005	7071	6701	6957	8960	9115	10462	13938	14646	116746
2011	9844	10,778	12,428	9,467	8,132	7,372	7,396	10,717	10,724	12,084	16,397	18,596	133,935
2012	11,581	14,271	14,376	11,497	9,817	10,114	9,755	14,054	12,727	15,029	22,364	28,820	174,405
2013	22,138	18,387	19,564	14,842	11,591	10,196	10,383	12,936	12,860	14,128	18,330	19,326	184,681
2014	11190	13449	15182	11333	9308	8740	9607	12191	12191	14023	18280	19709	155203
2015	12,203	13,379	10,329	9,918	9,346	8,230	9,243	11,085	12,693	12,361	17,227	20,864	146,878

## Handgun + Long Gun

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	12,353	13,199	14,919	11,600	10,329	9,761	9,506	13,352	12,228	15,074	16,876	18,765	157,962
2008	13,999	15,277	17,607	12,873	12,602	10,456	11,107	13,420	13,349	16,251	23,303	23,135	183,379
2009	18,497	19,243	23,350	19,299	15,150	14,062	13,475	16,243	16,147	19,690	20,324	116,241	311,721
2010	18102	20188	22823	16562	15375	14519	14907	17581	17584	19380	23066	25863	225950
2011	20330	22,422	27,173	20,935	17,832	16,431	16,208	20,664	20,639	22,501	28,436	34,542	268,113
2012	25,005	32,021	32,101	26,021	21,804	21,934	21,156	27,034	24,515	28,147	39,209	57,368	356,315
2013	53,323	42,562	43,343	33,263	27,733	25,258	26,369	29,296	27,007	31,218	38,686	42,997	421,055
2014	31354	36897	41819	32464	27156	24146	25405	28723	28251	31950	37562	44566	390293
2015	32,885	36,993	27,846	29,041	28,803	25,896	27,712	29,173	30,144	31,667	41,639	58,057	399,856

\*All numbers provided are taken directly from FBI NICS Data

7. Monthly NICS Baseline for Norridge and North Chicago

**40% of Chicago + Norridge Units Sold****Handgun**

	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	466	516	580	491	457	421	390	462	416	493	482	5,768
2008	572	654	738	560	563	470	483	496	473	577	797	7,256
2009	813	851	1,016	876	680	623	608	629	606	750	715	9,005
2010	749	851	973	729	707	666	677	734	721	759	777	9,299
2011	894	992	1,257	977	827	772	751	848	845	888	1,026	11,437
2012	1,146	1,516	1,513	1,240	1,024	1,009	973	1,108	1,007	1,120	1,438	15,533
2013	2,666	2,066	2,033	1,575	1,380	1,287	1,366	1,398	1,209	1,461	1,740	20,204
2014	1,725	2,006	2,279	1,808	1,527	1,318	1,351	1,414	1,374	1,533	1,649	20,110
2015	1,769	2,019	1,498	1,635	1,664	1,511	1,579	1,547	1,492	1,651	2,088	21,634

**Long Gun**

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	2,870	2,983	3,390	2,455	2,095	2,030	2,069	3,286	3,044	3,839	4,612	4,864	37,538
2008	3,062	3,210	3,768	2,665	2,541	2,097	2,299	3,168	3,242	3,942	5,791	5,388	41,173
2009	3,804	3,934	4,845	3,846	3,052	2,870	2,701	3,716	3,780	4,560	4,973	42,888	84,969
2010	3,731	4,087	4,572	3,211	2,836	2,688	2,790	3,594	3,656	4,196	5,591	5,875	46,827
2011	3,948	4,323	4,985	3,797	3,262	2,957	2,967	4,299	4,301	4,847	6,577	7,459	53,721
2012	4,645	5,724	5,766	4,611	3,938	4,057	3,913	5,637	5,105	6,028	8,970	11,560	69,954
2013	8,880	7,375	7,847	5,953	4,649	4,090	4,165	5,189	5,158	5,667	7,352	7,752	74,076
2014	4,488	5,394	6,090	4,546	3,733	3,506	3,853	4,890	4,890	5,625	7,332	7,905	62,252
2015	4,895	5,366	4,143	3,978	3,749	3,301	3,707	4,446	5,091	4,958	6,910	8,369	58,913

**Handgun + Long Gun**

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	3,336	3,500	3,969	2,946	2,553	2,451	2,458	3,748	3,460	4,332	5,094	5,459	43,306
2008	3,634	3,864	4,506	3,224	3,104	2,567	2,782	3,665	3,716	4,520	6,588	6,260	48,429
2009	4,617	4,785	5,861	4,721	3,732	3,493	3,308	4,345	4,386	5,310	5,688	43,728	93,975
2010	4,481	4,939	5,545	3,939	3,543	3,353	3,467	4,328	4,377	4,956	6,368	6,830	56,126
2011	4,842	5,316	6,242	4,775	4,089	3,729	3,718	5,146	5,147	5,735	7,603	8,818	65,158
2012	5,791	7,240	7,280	5,852	4,961	5,066	4,886	6,745	6,111	7,148	10,409	13,997	85,486
2013	11,545	9,441	9,880	7,528	6,029	5,377	5,531	6,587	6,367	7,128	9,092	9,775	94,280
2014	6,213	7,400	8,368	6,353	5,260	4,823	5,205	6,304	6,264	7,158	8,982	10,032	82,362
2015	6,663	7,386	5,641	5,613	5,413	4,812	5,287	5,993	6,584	6,609	8,997	11,549	80,547

\*Numbers shown above are concluded by calculating percent of population of IL that resides in Chicago city limits divided by FBI NICS Data. The resulting number is that of gun sales the defined area can support.

## 40% of Chicago + Norridge Potential Revenue

## Handgun

	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	
2007	\$ 226,164.35	\$ 250,660.42	\$ 281,421.90	\$ 238,390.63	\$ 222,117.94	\$ 204,452.92	\$ 189,180.96	\$ 224,467.47	\$ 201,798.82	\$ 239,434.87	\$ 233,952.62	\$ 288,862.09	\$ 2,800,905.00
2008	\$ 277,850.60	\$ 317,524.83	\$ 358,508.45	\$ 271,914.74	\$ 273,573.29	\$ 228,181.42	\$ 234,597.38	\$ 240,969.70	\$ 229,796.32	\$ 280,294.77	\$ 386,878.37	\$ 423,410.09	\$ 3,523,499.96
2009	\$ 394,555.33	\$ 413,030.96	\$ 493,456.85	\$ 425,158.33	\$ 330,153.33	\$ 302,396.10	\$ 295,172.22	\$ 305,504.56	\$ 294,296.60	\$ 364,302.59	\$ 346,965.27	\$ 407,864.79	\$ 4,372,856.94
2010	\$ 363,812.79	\$ 413,387.92	\$ 472,390.18	\$ 353,806.80	\$ 343,346.00	\$ 323,251.33	\$ 328,709.14	\$ 356,453.02	\$ 350,168.26	\$ 368,733.09	\$ 377,415.98	\$ 463,789.99	\$ 4,515,264.49
2011	\$ 434,008.34	\$ 481,937.17	\$ 610,285.43	\$ 474,652.65	\$ 401,476.34	\$ 374,945.79	\$ 364,722.63	\$ 411,699.50	\$ 410,375.05	\$ 431,152.48	\$ 498,285.95	\$ 659,994.00	\$ 5,553,535.34
2012	\$ 556,580.45	\$ 735,943.31	\$ 734,906.77	\$ 602,188.21	\$ 497,000.14	\$ 490,076.05	\$ 472,703.65	\$ 538,171.50	\$ 488,749.28	\$ 543,893.21	\$ 698,420.57	\$ 1,183,645.62	\$ 7,542,278.77
2013	\$ 1,294,339.22	\$ 1,003,387.87	\$ 986,951.82	\$ 764,567.03	\$ 669,976.71	\$ 625,151.11	\$ 663,501.90	\$ 679,024.84	\$ 587,173.87	\$ 709,323.63	\$ 844,879.57	\$ 982,469.26	\$ 9,810,746.82
2014	\$ 837,551.98	\$ 973,959.48	\$ 1,106,420.96	\$ 877,718.26	\$ 741,352.30	\$ 639,918.96	\$ 656,201.46	\$ 686,689.61	\$ 667,084.15	\$ 744,633.72	\$ 800,916.35	\$ 1,032,485.10	\$ 9,764,932.33
2015	\$ 858,825.14	\$ 980,577.16	\$ 727,397.73	\$ 794,087.28	\$ 807,956.71	\$ 733,584.99	\$ 766,929.77	\$ 751,108.65	\$ 724,657.07	\$ 801,686.40	\$ 1,013,714.30	\$ 1,544,448.47	\$ 10,504,973.67

## Long Gun

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	\$ 2,297,847.91	\$ 2,388,734.14	\$ 2,714,061.87	\$ 1,965,775.97	\$ 1,677,701.96	\$ 1,625,675.21	\$ 1,656,505.87	\$ 2,631,204.46	\$ 2,437,549.36	\$ 3,073,752.95	\$ 3,692,935.45	\$ 3,894,298.22	\$ 30,056,043.38
2008	\$ 2,451,358.93	\$ 2,569,864.29	\$ 3,016,587.76	\$ 2,133,417.70	\$ 2,034,181.51	\$ 1,678,986.57	\$ 1,840,847.55	\$ 2,536,785.56	\$ 2,596,198.81	\$ 3,156,610.36	\$ 4,637,124.53	\$ 4,314,366.02	\$ 32,966,329.58
2009	\$ 3,046,133.81	\$ 3,150,187.31	\$ 3,879,204.04	\$ 3,079,212.55	\$ 2,443,651.26	\$ 2,297,847.91	\$ 2,162,321.45	\$ 2,975,480.21	\$ 3,026,864.65	\$ 3,651,185.59	\$ 3,981,972.92	\$ 34,339,257.58	\$ 68,033,319.29
2010	\$ 2,987,684.01	\$ 3,272,546.50	\$ 3,660,499.02	\$ 2,570,827.75	\$ 2,270,871.08	\$ 2,152,044.56	\$ 2,234,259.67	\$ 2,877,528.62	\$ 2,927,307.30	\$ 3,359,900.05	\$ 4,476,227.00	\$ 4,703,603.15	\$ 37,493,298.72
2011	\$ 3,161,427.65	\$ 3,461,384.32	\$ 3,991,286.35	\$ 3,040,353.07	\$ 2,611,614.15	\$ 2,367,538.06	\$ 2,375,245.72	\$ 3,441,794.00	\$ 3,444,042.07	\$ 3,880,809.81	\$ 5,265,941.61	\$ 5,972,156.50	\$ 43,013,593.30
2012	\$ 3,719,269.97	\$ 4,583,170.87	\$ 4,616,891.91	\$ 3,692,293.14	\$ 3,152,756.53	\$ 3,248,138.89	\$ 3,132,845.06	\$ 4,513,480.72	\$ 4,087,311.02	\$ 4,826,604.65	\$ 7,182,260.06	\$ 9,255,622.20	\$ 56,010,645.01
2013	\$ 7,109,679.54	\$ 5,905,035.58	\$ 6,283,032.36	\$ 4,766,549.09	\$ 3,722,481.50	\$ 3,274,473.42	\$ 3,334,528.98	\$ 4,154,431.95	\$ 4,130,024.34	\$ 4,537,246.02	\$ 5,886,729.87	\$ 6,206,598.01	\$ 59,310,810.65
2014	\$ 3,593,699.25	\$ 4,319,183.31	\$ 4,875,741.02	\$ 3,639,624.09	\$ 2,989,289.78	\$ 2,806,875.02	\$ 3,085,314.45	\$ 3,915,173.15	\$ 3,915,173.15	\$ 4,503,524.99	\$ 5,870,672.23	\$ 6,329,599.51	\$ 49,843,869.95
2015	\$ 3,919,026.98	\$ 4,296,702.62	\$ 3,317,186.73	\$ 3,185,192.95	\$ 3,001,493.58	\$ 2,643,087.12	\$ 2,968,414.85	\$ 3,559,978.21	\$ 4,076,391.83	\$ 3,969,769.12	\$ 5,532,498.39	\$ 6,700,530.93	\$ 47,170,273.32

## Handgun + Long Gun

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2007	\$2,524,012.27	\$2,639,394.56	\$2,995,483.78	\$2,204,166.60	\$1,899,819.89	\$1,830,128.14	\$1,845,686.83	\$2,855,671.93	\$2,639,348.18	\$3,313,187.82	\$3,926,888.07	\$4,183,160.31	\$32,856,948.38
2008	\$2,729,209.52	\$2,887,389.12	\$3,375,096.21	\$2,405,332.44	\$2,307,754.79	\$1,907,167.99	\$2,075,444.94	\$2,777,755.26	\$2,825,995.14	\$3,436,905.13	\$5,024,002.89	\$4,737,776.11	\$36,489,829.54
2009	\$3,440,689.15	\$3,563,218.27	\$4,372,660.90	\$3,504,370.88	\$2,773,804.59	\$2,600,244.02	\$2,457,493.67	\$3,280,984.77	\$3,321,161.25	\$4,015,488.18	\$4,328,938.19	\$34,747,122.37	\$72,406,176.23
2010	\$3,351,496.81	\$3,685,934.42	\$4,132,889.20	\$2,924,634.55	\$2,614,217.08	\$2,475,295.89	\$2,562,968.81	\$3,233,981.64	\$3,277,475.56	\$3,728,633.14	\$4,853,642.98	\$5,167,393.13	\$42,008,563.21
2011	\$3,595,436.00	\$3,943,321.49	\$4,601,571.78	\$3,515,005.72	\$3,013,090.49	\$2,742,483.85	\$2,739,968.36	\$3,853,493.50	\$3,854,417.12	\$4,311,962.29	\$5,764,227.56	\$6,632,150.50	\$48,567,128.64
2012	\$4,275,850.43	\$5,319,114.18	\$5,351,798.68	\$4,294,481.35	\$3,649,756.67	\$3,738,214.95	\$3,605,548.70	\$5,051,652.23	\$4,576,060.31	\$5,370,497.85	\$7,880,680.63	\$10,439,267.82	\$63,552,923.79
2013	\$8,404,018.76	\$6,908,423.45	\$7,269,984.18	\$5,531,116.12	\$4,392,458.21	\$3,899,624.53	\$3,998,030.88	\$4,833,456.79	\$4,717,198.20	\$5,246,569.65	\$6,731,609.44	\$7,189,067.26	\$69,121,557.48
2014	\$4,431,251.23	\$5,293,142.78	\$5,982,161.98	\$4,517,342.35	\$3,730,642.08	\$3,446,793.97	\$3,741,515.91	\$4,601,862.76	\$4,582,257.30	\$5,248,158.71	\$6,671,588.59	\$7,362,084.61	\$59,608,802.28
2015	\$4,777,852.12	\$5,277,279.77	\$4,044,584.47	\$3,979,280.23	\$3,809,450.29	\$3,376,672.11	\$3,735,344.62	\$4,311,086.86	\$4,801,048.90	\$4,771,455.52	\$6,546,212.69	\$8,244,979.41	\$57,675,246.99

\*Numbers shown above are concluded by calculating percent of population of IL that resides in Chicago city limits divided by FBI NICS Data. The resulting number is that of gun sales the defined area can support.

8. Monthly P&Ls

**Events & Happenings**

January-  
 February- Grand Opening Event / Valentines Day  
 March- Continuation of Grand Opening Sale  
 April-  
 May- Mothers Day  
 June- Fathers Day  
 July- 4th of July  
 August-  
 September-  
 October-  
 November- Black Friday Event  
 December- Christmas

**2011****Store 1**

<b><u>Revenues:</u></b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>Total</b>	
L.E. Sales		\$86,122.04	\$103,166.42	\$79,277.81	\$67,656.78	\$62,111.15	\$61,503.86	\$80,859.21	\$80,799.31	\$88,834.53	\$114,404.63	\$136,459.09	\$961,194.83	3.51%
Ammo		\$250,514.54	\$300,093.77	\$230,605.83	\$196,802.20	\$180,670.90	\$178,904.40	\$235,205.84	\$235,031.61	\$258,404.71	\$332,783.82	\$396,936.56	\$2,795,954.18	10.21%
Gunsmith Labor		\$20,119.68	\$24,101.56	\$18,520.74	\$15,805.86	\$14,510.30	\$14,368.42	\$18,890.18	\$18,876.19	\$20,753.37	\$26,727.01	\$31,879.33	\$224,552.64	0.82%
Gunsmith Parts		\$162,429.60	\$194,575.98	\$149,521.11	\$127,603.38	\$117,144.11	\$115,998.74	\$152,503.69	\$152,390.72	\$167,545.46	\$215,771.69	\$257,367.29	\$1,812,851.78	6.62%
Gun Sales		\$1,199,574.52	\$1,436,981.84	\$1,104,242.80	\$942,376.06	\$865,132.26	\$856,673.48	\$1,126,269.68	\$1,125,435.42	\$1,237,356.16	\$1,593,516.28	\$1,900,707.96	\$13,388,266.46	48.89%
Targets		\$9,814.48	\$11,756.86	\$9,034.51	\$7,710.17	\$7,078.19	\$7,008.99	\$9,214.72	\$9,207.90	\$10,123.59	\$13,037.56	\$15,550.89	\$109,537.87	0.40%
Conceal Carry Classes														
Training		\$68,701.34	\$82,298.00	\$63,241.56	\$53,971.22	\$49,547.36	\$49,062.91	\$64,503.07	\$64,455.29	\$70,865.15	\$91,262.95	\$108,856.25	\$766,765.10	2.80%
Coke & Candy Sales		\$45,637.32	\$54,669.38	\$42,010.46	\$35,852.31	\$32,913.60	\$32,591.79	\$42,848.47	\$42,816.73	\$47,074.71	\$60,624.67	\$72,311.65	\$509,351.10	1.86%
Co-Op Ad Funds		\$18,402.15	\$22,044.11	\$16,939.70	\$14,456.58	\$13,271.61	\$13,141.85	\$17,277.61	\$17,264.81	\$18,981.74	\$24,445.43	\$29,157.93	\$205,383.51	0.75%
Consignment Fees		\$29,443.43	\$35,270.57	\$27,103.53	\$23,130.52	\$21,234.58	\$21,026.96	\$27,644.17	\$27,623.70	\$30,370.78	\$39,112.69	\$46,652.68	\$328,613.62	1.20%
Inventory		\$555,499.43	\$665,438.10	\$511,353.18	\$436,395.87	\$400,625.78	\$396,708.68	\$521,553.39	\$521,167.06	\$572,995.36	\$737,926.13	\$880,180.57	\$6,199,843.55	22.64%
Interest Income		\$2,453.62	\$2,939.21	\$2,258.63	\$1,927.54	\$1,769.55	\$1,752.25	\$2,303.68	\$2,301.97	\$2,530.90	\$3,259.39	\$3,887.72	\$27,384.47	0.10%
Other Income		\$4,907.24	\$5,878.43	\$4,517.25	\$3,855.09	\$3,539.10	\$3,504.49	\$4,607.36	\$4,603.95	\$5,061.80	\$6,518.78	\$7,775.45	\$54,768.94	0.20%
<b><u>Total Revenue</u></b>	<b>\$0.00</b>	<b>\$2,453,619.38</b>	<b>\$2,939,214.22</b>	<b>\$2,258,627.11</b>	<b>\$1,927,543.58</b>	<b>\$1,769,548.49</b>	<b>\$1,752,246.83</b>	<b>\$2,303,681.07</b>	<b>\$2,301,974.67</b>	<b>\$2,530,898.25</b>	<b>\$3,259,391.03</b>	<b>\$3,887,723.36</b>	<b>\$27,384,468.05</b>	<b>100.00%</b>

**Events & Happenings**

January-  
 February- Valentines Day  
 March-  
 April-  
 May- Mothers Day  
 June- Fathers Day  
 July- 4th of July / Election Sales Ramping Up  
 August-  
 September-  
 October-  
 November- Black Friday Event  
 December- Christmas / Sandy Hook ( Sales Carried thru April '13)

	2012												Store 1	
<u>Revenues:</u>	January	February	March	April	May	June	July	August	September	October	November	December	Total	
L.E. Sales	\$95,414.18	\$121,120.72	\$121,555.36	\$98,235.20	\$82,663.90	\$83,610.79	\$80,644.62	\$106,075.68	\$96,158.41	\$111,197.55	\$157,618.80	\$223,189.17	\$1,377,484.37	3.51%
Ammo	\$277,543.80	\$352,319.82	\$353,584.10	\$285,749.68	\$240,455.39	\$243,209.73	\$234,581.65	\$308,556.31	\$279,708.64	\$323,454.98	\$458,486.61	\$649,219.77	\$4,006,870.48	10.21%
Gunsmith Labor	\$22,290.49	\$28,296.01	\$28,397.55	\$22,949.53	\$19,311.79	\$19,533.00	\$18,840.05	\$24,781.21	\$22,464.36	\$25,977.77	\$36,822.63	\$52,141.06	\$321,805.47	0.82%
Gunsmith Parts	\$179,954.94	\$228,438.51	\$229,258.25	\$185,275.51	\$155,907.41	\$157,693.28	\$152,098.97	\$200,062.96	\$181,358.59	\$209,723.01	\$297,275.35	\$420,943.67	\$2,597,990.46	6.62%
Gun Sales	\$1,329,002.60	\$1,687,063.30	\$1,693,117.20	\$1,368,296.00	\$1,151,406.88	\$1,164,595.84	\$1,123,280.78	\$1,477,504.22	\$1,339,368.80	\$1,548,845.64	\$2,195,436.86	\$3,108,751.70	\$19,186,669.82	48.89%
Targets	\$10,873.41	\$13,802.93	\$13,852.46	\$11,194.89	\$9,420.39	\$9,528.29	\$9,190.27	\$12,088.40	\$10,958.22	\$12,672.09	\$17,962.26	\$25,434.66	\$156,978.28	0.40%
Conceal Carry Classes														
Training	\$76,113.87	\$96,620.52	\$96,967.24	\$78,364.26	\$65,942.71	\$66,698.06	\$64,331.89	\$84,618.77	\$76,707.56	\$88,704.60	\$125,735.80	\$178,042.64	\$1,098,847.93	2.80%
Coke & Candy Sales	\$50,561.36	\$64,183.63	\$64,413.95	\$52,056.26	\$43,804.80	\$44,306.57	\$42,734.76	\$56,211.04	\$50,955.74	\$58,925.20	\$83,524.49	\$118,271.18	\$729,948.98	1.86%
Co-Op Ad Funds	\$20,387.64	\$25,880.50	\$25,973.37	\$20,990.43	\$17,663.23	\$17,865.55	\$17,231.76	\$22,665.74	\$20,546.67	\$23,760.16	\$33,679.23	\$47,689.99	\$294,334.27	0.75%
Consignment Fees	\$32,620.23	\$41,408.79	\$41,557.39	\$33,584.68	\$28,261.16	\$28,584.88	\$27,570.81	\$36,265.19	\$32,874.67	\$38,016.26	\$53,886.77	\$76,303.99	\$470,934.83	1.20%
Inventory	\$615,435.03	\$781,245.92	\$784,049.36	\$633,631.04	\$533,193.94	\$539,301.49	\$520,169.29	\$684,203.22	\$620,235.42	\$717,240.03	\$1,016,663.74	\$1,439,601.93	\$8,884,970.40	22.64%
Interest Income	\$2,718.35	\$3,450.73	\$3,463.12	\$2,798.72	\$2,355.10	\$2,382.07	\$2,297.57	\$3,022.10	\$2,739.56	\$3,168.02	\$4,490.56	\$6,358.67	\$39,244.57	0.10%
Other Income	\$5,436.71	\$6,901.47	\$6,926.23	\$5,597.45	\$4,710.19	\$4,764.15	\$4,595.14	\$6,044.20	\$5,479.11	\$6,336.04	\$8,981.13	\$12,717.33	\$78,489.14	0.20%
<b><u>Total Revenue</u></b>	<b>\$2,718,352.62</b>	<b>\$3,450,732.85</b>	<b>\$3,463,115.55</b>	<b>\$2,798,723.65</b>	<b>\$2,355,096.90</b>	<b>\$2,382,073.71</b>	<b>\$2,297,567.55</b>	<b>\$3,022,099.03</b>	<b>\$2,739,555.73</b>	<b>\$3,168,021.34</b>	<b>\$4,490,564.23</b>	<b>\$6,358,665.75</b>	<b>\$39,244,568.99</b>	<b>100.00%</b>



**Events & Happenings**

January-  
 February- Valentines Day  
 March-  
 April-  
 May- Mothers Day  
 June- Fathers Day  
 July- 4th of July / Illinois Passes Conceal Carry for Citizens  
 August- Started Training Courses for CCW (Demand Stayed Strong for 18 Months Before Settling into Steady Pace)  
 September-  
 October-  
 November- Black Friday Event  
 December- Christmas

	2013							Store 1						
<u>Revenues:</u>	January	February	March	April	May	June	July	August	September	October	November	December	Total	
L.E. Sales	\$198,445.04	\$159,760.60	\$164,289.46	\$125,754.27	\$103,356.94	\$93,447.00	\$97,059.91	\$110,498.03	\$103,642.71	\$118,400.53	\$148,288.77	\$81,411.15	\$1,504,354.41	3.51%
Ammo	\$577,243.25	\$464,716.74	\$477,890.43	\$365,798.02	\$300,647.98	\$271,821.61	\$282,330.96	\$321,420.19	\$301,479.22	\$344,407.24	\$431,347.11	\$236,811.35	\$4,375,914.10	10.21%
Gunsmith Labor	\$46,360.38	\$37,322.99	\$38,381.01	\$29,378.49	\$24,146.07	\$21,830.92	\$22,674.96	\$25,814.35	\$24,212.83	\$27,660.52	\$34,642.96	\$19,019.13	\$351,444.62	0.82%
Gunsmith Parts	\$374,275.25	\$301,314.87	\$309,856.48	\$237,177.56	\$194,935.32	\$176,244.77	\$183,058.86	\$208,403.69	\$195,474.28	\$223,308.12	\$279,678.54	\$153,544.68	\$2,837,272.41	6.62%
Gun Sales	\$2,764,096.24	\$2,225,269.48	\$2,288,350.94	\$1,751,602.86	\$1,439,635.62	\$1,301,602.22	\$1,351,925.64	\$1,539,102.16	\$1,443,615.96	\$1,649,174.32	\$2,065,480.92	\$1,133,957.59	\$20,953,813.95	48.89%
Targets	\$22,614.82	\$18,206.34	\$18,722.45	\$14,330.97	\$11,778.57	\$10,649.23	\$11,060.96	\$12,592.37	\$11,811.13	\$13,492.94	\$16,899.01	\$9,277.62	\$171,436.40	0.40%
Conceal Carry Classes								\$243,000.00	\$225,000.00	\$243,000.00	\$207,000.00	\$198,000.00	\$1,116,000.00	N/A
Training	\$158,303.73	\$127,444.36	\$131,057.12	\$100,316.79	\$82,449.98	\$74,544.61	\$77,426.71	\$88,146.57	\$82,677.94	\$94,450.56	\$118,293.04	\$64,943.37	\$1,200,054.80	2.80%
Coke & Candy Sales	\$105,158.91	\$84,659.46	\$87,059.37	\$66,639.01	\$54,770.35	\$49,518.92	\$51,433.46	\$58,554.51	\$54,921.78	\$62,742.16	\$78,580.37	\$43,140.95	\$797,179.26	1.86%
Co-Op Ad Funds	\$42,402.79	\$34,136.88	\$35,104.59	\$26,870.57	\$22,084.82	\$19,967.31	\$20,739.30	\$23,610.69	\$22,145.88	\$25,299.26	\$31,685.63	\$17,395.54	\$321,443.25	0.75%
Consignment Fees	\$67,844.46	\$54,619.01	\$56,167.34	\$42,992.91	\$35,335.71	\$31,947.69	\$33,182.88	\$37,777.10	\$35,433.40	\$40,478.81	\$50,697.02	\$27,832.87	\$514,309.20	1.20%
Inventory	\$1,279,998.75	\$1,030,478.65	\$1,059,690.43	\$811,132.93	\$666,667.02	\$602,746.46	\$626,050.25	\$712,728.02	\$668,510.23	\$763,700.28	\$956,483.70	\$525,113.52	\$9,703,300.22	22.64%
Interest Income	\$5,653.70	\$4,551.58	\$4,680.61	\$3,582.74	\$2,944.64	\$2,662.31	\$2,765.24	\$3,148.09	\$2,952.78	\$3,373.23	\$4,224.75	\$2,319.41	\$42,859.10	0.10%
Other Income	\$11,307.41	\$9,103.17	\$9,361.22	\$7,165.49	\$5,889.28	\$5,324.62	\$5,530.48	\$6,296.18	\$5,905.57	\$6,746.47	\$8,449.50	\$4,638.81	\$85,718.20	0.20%
<u>Total Revenue</u>	<u>\$5,653,704.72</u>	<u>\$4,551,584.13</u>	<u>\$4,680,611.45</u>	<u>\$3,582,742.61</u>	<u>\$2,944,642.30</u>	<u>\$2,662,307.67</u>	<u>\$2,765,239.60</u>	<u>\$3,391,091.96</u>	<u>\$3,177,783.72</u>	<u>\$3,616,234.44</u>	<u>\$4,431,751.32</u>	<u>\$2,517,405.99</u>	<u>\$43,975,099.92</u>	<u>100.00%</u>

9. Summaries of annual P&L cumulative by year

**2011**

<b><u>Revenues:</u></b>	<b>Total</b>	<b>Points/Margin</b>	<b>Cost</b>	<b>Gross Profit</b>
L.E. Sales	\$961,194.83	12.00%	\$845,851.45	\$115,343.38
Ammo	\$2,795,954.18	35.00%	\$1,817,370.22	\$978,583.96
Gunsmith Labor	\$224,552.64	90.00%	\$22,455.26	\$202,097.37
Gunsmith Parts	\$1,812,851.78	30.00%	\$1,268,996.25	\$543,855.53
Gun Sales	\$13,388,266.46	25.00%	\$10,041,199.85	\$3,347,066.62
Targets	\$109,537.87	40.00%	\$65,722.72	\$43,815.15
Training	\$766,765.10	90.00%	\$76,676.51	\$690,088.59
Coke & Candy Sales	\$509,351.10	50.00%	\$254,675.55	\$254,675.55
Co-Op Ad Funds	\$205,383.51	3.00%	\$199,222.00	\$6,161.51
Consignment Fees	\$328,613.62	90.00%	\$32,861.36	\$295,752.25
Inventory	\$6,199,843.55	45.00%	\$3,409,913.95	\$2,789,929.60
Interest Income	\$27,384.47	N/A	N/A	\$27,384.47
Other Income	\$54,768.94	N/A	N/A	\$54,768.94

	<b>1 Store (Base)</b>
<b>Total Revenue</b>	<b>\$27,384,468.05</b>
<b>Total Cost of Goods</b>	<b>\$18,034,945.13</b>
<b>Gross Profit</b>	<b>\$9,349,522.92</b>

**2012**

<b><u>Revenues:</u></b>	<b>Total</b>	<b>Points/Margin</b>	<b>Cost</b>	<b>Gross Profit</b>
L.E. Sales	\$1,377,484.37	12.00%	\$1,212,186.24	\$165,298.12
Ammo	\$4,006,870.48	35.00%	\$2,604,465.82	\$1,402,404.67
Gunsmith Labor	\$321,805.47	90.00%	\$32,180.55	\$289,624.92
Gunsmith Parts	\$2,597,990.46	30.00%	\$1,818,593.32	\$779,397.14
Gun Sales	\$19,186,669.82	25.00%	\$14,390,002.37	\$4,796,667.46
Targets	\$156,978.28	40.00%	\$94,186.97	\$62,791.31
Training	\$1,098,847.93	90.00%	\$109,884.79	\$988,963.14
Coke & Candy Sales	\$729,948.98	50.00%	\$364,974.49	\$364,974.49
Co-Op Ad Funds	\$294,334.27	3.00%	\$285,504.24	\$8,830.03
Consignment Fees	\$470,934.83	90.00%	\$47,093.48	\$423,841.34
Inventory	\$8,884,970.40	45.00%	\$4,886,733.72	\$3,998,236.68
Interest Income	\$39,244.57	N/A	N/A	\$39,244.57
Other Income	\$78,489.14	N/A	N/A	\$78,489.14

	<b>1 Store (Base)</b>
<b>Total Revenue</b>	<b>\$39,244,568.99</b>
<b>Total Cost of Goods</b>	<b>\$25,845,805.98</b>
<b>Gross Profit</b>	<b>\$13,398,763.00</b>

**2013**

<b><u>Revenues:</u></b>	<b>Total</b>	<b>Points/Margin</b>	<b>Cost</b>	<b>Gross Profit</b>
L.E. Sales	\$1,504,354.41	12.00%	\$1,323,831.88	\$180,522.53
Ammo	\$4,375,914.10	35.00%	\$2,844,344.17	\$1,531,569.94
Gunsmith Labor	\$351,444.62	90.00%	\$35,144.46	\$316,300.16
Gunsmith Parts	\$2,837,272.41	30.00%	\$1,986,090.69	\$851,181.72
Gun Sales	\$20,953,813.95	25.00%	\$15,715,360.46	\$5,238,453.49
Targets	\$171,436.40	40.00%	\$102,861.84	\$68,574.56
Conceal Carry Classes	\$1,116,000.00	90.00%	\$111,600.00	\$1,004,400.00
Training	\$1,200,054.80	90.00%	\$120,005.48	\$1,080,049.32
Coke & Candy Sales	\$797,179.26	50.00%	\$398,589.63	\$398,589.63
Co-Op Ad Funds	\$321,443.25	3.00%	\$311,799.95	\$9,643.30
Consignment Fees	\$514,309.20	90.00%	\$51,430.92	\$462,878.28
Inventory	\$9,703,300.22	45.00%	\$5,336,815.12	\$4,366,485.10
Interest Income	\$42,859.10	N/A	N/A	\$42,859.10
Other Income	\$85,718.20	N/A	N/A	\$85,718.20

	<b>1 Store (Base)</b>
<b>Total Revenue</b>	<b>\$43,975,099.92</b>
<b>Total Cost of Goods</b>	<b>\$28,337,874.60</b>
<b>Gross Profit</b>	<b>\$15,637,225.32</b>

### Store 1

	2011	2012	2013	Total
Revenue	\$27,384,468.05	\$39,244,568.99	\$43,975,099.92	\$110,604,136.96
Cost of Goods	\$17,919,108.83	\$25,679,801.46	\$28,156,580.61	\$71,755,490.90
Gross Profit	\$9,465,359.22	\$13,564,767.53	\$15,818,519.31	\$38,848,646.06
Expenses	\$7,415,713.95	\$10,627,429.28	\$11,908,457.06	\$29,951,600.29
Net Profit	\$2,049,645.27	\$2,937,338.25	\$3,910,062.25	\$8,897,045.77

## Estimated Lost Sales Tax Revenue for City & State

There would have been sales tax income for both the State and the City. We took the % for each and have charted that amount based on the retail sales of the business we projected. There are several other Federal, State, City and County taxes that would have occurred. For the purposes of this report, we did not do those calculations. They are, but not limited to, the following:

Lost Income Taxes

Lost Payroll taxes

Lost Property Taxes

Lost Permits & Fees

Norridge Lost Sales Tax			
Year	Revenue	City Tax Rate	Lost Tax to City
2011	\$27,384,468.05	1.25%	\$342,305.85
2012	\$39,244,568.99	1.25%	\$490,557.11
2013	\$43,975,099.92	1.25%	\$549,688.75
Total Lost City Sales Tax		\$1,382,551.71	
*Calculated as store revenue times local tax rate			
Additional Lost Tax Data			
Cook County Rate	State Tax Rate	Total Additional Losses	
1.75%	6.25%	\$2,190,757.44	
1.75%	6.25%	\$3,139,565.52	
1.75%	6.25%	\$3,518,007.99	
Total Additional Sales Tax Lost		\$8,848,330.96	
Total Calculable Losses to Sales Tax		\$10,230,882.67	
*Calculated as store revenue times given tax rate			

## 10. Income items NOT included

There are a number of income items we did not include but could be considered. The values of these would have been important to owners and team members. Below is a starting list of those items. Should you elect, and we have the time, we can gather that together and render a value to them.

1. Ownership value of Business
2. Ownership value of the Building
3. Start up and Grand Opening Events
4. Internet sales
5. Sponsorships
6. Special events, gatherings and Mfg. specials
7. Gift cards
8. Food & Café
9. Compensated Speeches by the owner and or key staff.
10. Manufacture and Distributor Perks such as trips, special pricing and inclusionary involvement that create better opportunities for growth and profit.
11. TV Show
12. Safe Sales
13. Economic Impact Study was not done.



## 11. Other Reports and Related Variables to Consider

We used several sources to verify the trends and to provide you an overall picture of the industry where we could.

## 12. Dun & Bradstreet Industry Profile (Sporting Goods Stores)

D&B is considered the world's most credible and comprehensive source of commercial data. For over 175 years, they have been helping grow, protect and provide their customers the world's most comprehensive and trusted commercial data. Data that has been collected, verified and derived with their long-standing and patented DUNSRight™ process.

This report was done looking specifically at the Sporting Goods Stores and used the Government NAICS code of 45111 and SIC code 5941.



## INDUSTRY PROFILE

# Sporting Goods Stores

4.9.2018

NAICS CODES: 45111

SIC CODES: 5941

## Industry Overview

Companies in this industry operate physical retail stores specializing in sporting goods, athletic and fitness wear, fitness equipment, and related products. Major companies include Bass Pro, Big 5, Cabela's, Dick's Sporting Goods, Hibbett Sports, and REI (all based in the US), as well as FGL Sports (Canada), Groupe Go Sport (France), and Sports Direct International (UK).

The global retail market for sporting goods is expected to grow at a compound annual rate of 3.4% from 2015 to 2020, according to Lucintel. The US and Europe traditionally have been leading markets for sporting goods. Developing regions such as Asia/Pacific, Central and Eastern Europe, the Middle East, and Latin America are expected to see more rapid growth.

The US retail sporting goods industry includes about 22,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about \$47 billion.

## Competitive Landscape

Demand is driven by population demographics and consumer income. The profitability of individual companies depends on **merchandising** and marketing skills. Large chains have an advantage in stocking a wide variety of goods. Small companies and specialty retailers can compete successfully by carrying a **deeper product line** in specialized sports, hiring knowledgeable staff, offering repair services, or by serving a local market. The US industry is **concentrated**: the 20 largest companies account for about 55% of revenue.

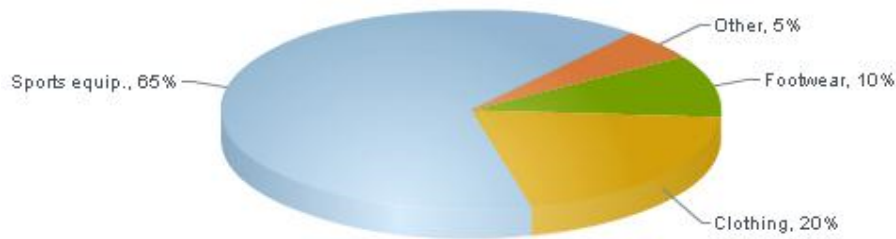
Sporting goods stores also must compete with warehouse clubs, discount stores, and department stores; specialized apparel and footwear retailers; pro shops; and online retailers. Fierce competition from online-only and omnichannel retailers, specialty stores like Lululemon and Athleta, and mass merchandisers like Wal-Mart and Target puts pressure on margins at national chains that sell a broad assortment of sporting goods. In 2015, about 15% of all sporting goods were sold online, according to iHumanMedia.com.

Migration to online shopping has been a key factor in several recent bankruptcy filings and asset sales by sporting goods chains. As a result, the retail arena for sporting goods stores is becoming increasingly concentrated, with Dick's Sporting Goods emerging as the clear leader. Dick's has acquired store leases, customer databases, and intellectual property from its former rivals.

## Products, Operations & Technology

Sports equipment accounts for 60% of industry revenue; clothing, 20%; and footwear, 10%. Major equipment categories include team sports, exercise, hunting and firearms, golf, fishing, and camping.

## Product Segmentation by Revenue - Census Bureau



Sporting goods stores vary according to **format** and **merchandise**. **Large-format** stores are from 20,000 to 250,000 square feet, stock a large number of items, and are typically found as anchor stores in strip malls or in stand-alone locations. **Traditional** sporting goods retail stores vary in size from 5,000 to 20,000 square feet, carry a more limited number of items, and are typically found in strip or enclosed malls. **Specialty stores** have a wide selection of items for just one or two sports, such as golf, tennis, skiing, or camping; are typically 2,000 to 20,000 square feet; and are located in enclosed and strip malls. Specialty sporting goods stores typically hire staff who are skilled in the designated sport, to appeal to hard-core athletes and beginners looking for expert advice. Local specialty stores try to differentiate themselves from the larger sports stores by connecting with the community through sponsoring local events, as well as offering special services such as **repairs** or in-store restaurants. Large-format stores typically have more than \$5 million in annual revenue and more than 50 employees. Specialty stores have less than \$1 million in annual revenue and fewer than 10 employees.

**Product is acquired** from manufacturers and wholesale distributors. Manufacturers regularly introduce new models, which often have only minor changes from older models. **Trade shows** are an important way of finding out about new products. The type of merchandise purchased varies according to the season and regional and local preferences. In addition to **equipment**, most retailers sell **sports apparel** and **shoes**. Imported sporting goods represent about 10% of industry retail sales. Sporting goods imported into the US come primarily from China, Taiwan, and Thailand. Nike, mainly a manufacturer of shoes and sports clothing, is one of the biggest vendors to Dick's Sporting Goods, accounting for about 20% of its merchandise purchases.

Store **layouts** and merchandise presentation are often changed, especially in large-format stores that try to maintain the atmosphere of a collection of specialty departments. Layout and presentation may be designed with the help of special merchandise planning and analytics software. Because much sports equipment is highly specialized, employees must be trained to understand and explain differences. Companies typically try to recruit employees who are avid sports participants. Many companies rely on **part-time employees** for 50% or more of their workforce.

### Technology

Inventory management is a major concern for all sporting goods retailers because of the large numbers of items they sell and the short selling season for many sports. Chains usually supply their stores from a central distribution facility, with weekly resupply based on sales. Many companies use highly sophisticated **computerized inventory management systems** that include point-of-sale (POS) terminals, scanners, and handheld radio frequency terminals to record merchandise receipts, print pricing labels, monitor inventory levels, facilitate automatic inventory replenishment, and identify popular items. A multichannel approach to retailing that integrates stores, online shopping, and mobile technology -- omnichannel retail -- is increasingly important to success. Delivery of a seamless omnichannel shopping experience requires significant investments in technology, information systems, and the development of powerful e-commerce platforms.

**Data security** has become one of the top issues facing the retail industry. Retailers are focused on closing security gaps and winning back the trust of consumers following a string of data breaches at some of the largest global chains. Many retailers have been targeted by hackers, who are getting more sophisticated in their approach. Better security is a top priority for retailers but will take time and resources to implement.

### Sales & Marketing

Marketing is typically through a combination of **advertising** and **promotional events**. Advertising is most often through newspaper or magazine ads, inserts, direct mail catalogs, postcards to customers, online advertising, and billboards. Some stores also use national and local television and radio ads. Stores often have special sales associated with seasonal sports, like skiing. Many companies sponsor local sports events or competitions and host store appearances by sports celebrities. To promote products, many manufacturers provide **cooperative**

marketing funds to retailers.

Increasingly, large chains, including Dicks Sporting Goods, are shifting their advertising mix to include more **digital marketing**. As such, more companies are investing in their social media programs to connect with customers. Cabela's has said its goal is to create a digital presence that mirrors the company's in-store shopping experience.

## Finance & Regulation

The **revenue** of many sporting goods retailers is **seasonal**, particularly if they specialize in just one or two sports. Even full-line retailers have seasonal swings, with sales strongest in fourth quarter. Inventory represents a significant investment, and risk, for sporting goods stores. Inventory turnover, on average, is low and unsold inventory may lead to markdowns and reduced profitability. On average, the **working capital** turnover ratio for the industry in the US is about 20%. Borrowing peaks during the third quarter as companies build inventory in advance of the holiday selling season. Gross profit margins average about 30% of net sales. Receivables typically are about 10 days' sales.

Retailers generally **lease** space rather than buy real estate to house stores. Lease payments may include a percentage of gross sales. Lease renewals are usually at the option of the retailer.

### Working Capital Turnover by Company Size

The working capital turnover ratio, also known as working capital to sales, is a measure of how efficiently a company uses its capital to generate sales. Companies should be compared to others in their industry.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at [www.microbilt.com](http://www.microbilt.com).

## Regulation

The activities of retailers are passively **regulated** by state consumer laws and the FTC to ensure fair pricing and sales practices. Retailers who sell firearms must comply with all local, state, and federal laws related to background checks and data collection.

## International Insights

The global retail market for sporting goods is expected to grow at a compound annual rate of 3.4% from 2015 to 2020, according to Lucintel. The US and Europe traditionally have been leading markets for sporting goods. Developing regions such as Asia/Pacific, Central and Eastern Europe, the Middle East, and Latin America are expected to see more rapid growth.

The Chinese government has introduced **ambitious plans** to increase participation in sports activities. Improved living standards, a wealthier middle class, and growing sports participation are helping the industry expand there. Countries such as India, Singapore, Malaysia, Vietnam, South Korea, and Indonesia also are contributing to growing demand for sporting goods in the Asia/Pacific region.

The popularity of different sports often varies by region, which can impact what types of sporting goods a store offers or specializes in. For example **football, basketball, and baseball** are the most popular sports in the US, while soccer, tennis, cricket, and volleyball are popular in many other countries. International sports brands, events such as the Olympics and World Cup, and popular athletes help drive the sporting goods business.

Most sporting goods stores operate in their home countries. However, some larger companies have store locations in numerous countries. Leading companies based outside the US include FGL Sports (Canada), Li Ning (China), Groupe Go Sport (France), Otto Group's SportScheck (Germany), and Sports Direct International (UK).

#### Change in Dollar Value of US Trade - US International Trade Commission

Imports of sporting goods to the US come primarily from China, Taiwan, Thailand, Vietnam, and Canada. Major export markets for US sporting goods include Canada, Japan, UK, Mexico, and Germany.

#### 33992 SPORTING AND ATHLETIC GOODS



#### Regional Highlights

In the US, demand for different types of sports merchandise varies by geographical region. Demand is strongest in regions with rapidly growing population. States that gained the most people between 2015 and 2016 were [Texas](#), [Florida](#), [California](#), [Washington](#), and [Arizona](#). States with the most sporting goods retailers include [California](#), [Florida](#), [New York](#), and [Texas](#).

#### Human Resources

Employees in retail operations are involved mostly in stocking shelves, operating cash registers, and answering customer questions. This largely unskilled work pays **low wages**, significantly lower than the national average. Companies try to attract and retain employees with special technical knowledge about sports and sports equipment, particularly in specialty stores. **Employee turnover** in retail sales is moderately higher than the national average.

Like other retailers, sporting goods companies rely heavily on part-timers due to uneven customer traffic during the day, week, and year. Employment typically peaks during the fourth quarter. Since part-time workers usually receive only minimal benefits, the total cost of benefits is small relative to payroll expense. The indirect benefits given to workers are discounts of 15 to 25% on what they buy. The injury rate for the industry is about the same as the average US rate.

#### Industry Employment Growth Bureau of Labor Statistics



#### Average Hourly Earnings & Annual Wage Increase Bureau of Labor Statistics



### Industry Growth Rating



Demand: Tied to consumer income and demographics  
Need good merchandising and marketing  
Risk: Economic health affects spending on non-essentials

### Call Prep Questions

#### Conversation Starters

##### How does the company manage changes in demand during an economic slowdown?

The revenue of sporting goods stores is sensitive to the health of the economy, as sports are leisure activities for most participants.

##### How does the company encourage greater sports participation?

Demographics play a big part in sporting goods sales, since participation in sports tends to vary among different age groups.

##### How does the company address rising competition from mass merchants?

Large discounters like Wal-Mart with big sports departments have rapidly expanded in recent years.

##### How does the company promote its sports apparel lines?

For some retailers, sports apparel is the best-selling product, ahead of athletic shoes and sports equipment.

##### What is the company's plan to increase its Internet sales?

Although many sporting goods retailers operate internet sites, the volume of online sales remains small compared to store sales.

##### What merchandising changes could the company make to serve niche sports participants?

Increasing participation in nontraditional sports such as adventure racing, stand up paddling, and mixed martial arts create demand for new segments of sporting gear.

### **Quarterly Industry Update**

**What role have acquisitions played in the company's growth strategy?**

UK sportswear retailer JD Sports Fashion is moving to expand its global reach with the purchase of Finish Line in the US.

### **Operations, Products, and Facilities**

**How many retail locations does the company operate?**

Typically, a small retailer has just one, but larger chains have five or more.

**What challenges does the company face in getting products to stores?**

Many larger chains operate one or more warehouses that they use to distribute products.

**What is the average size of the stores?**

Large-format stores are over 20,000 square feet; specialty stores from 2,000 to 20,000.

**Where does the company typically buy its merchandise: from manufacturers or from wholesalers?**

Smaller companies often use wholesalers.

**How many vendors does the company do business with?**

Some retailers, such as Dick's Sporting Goods, have more than 1,000 vendors. Most companies have considerably fewer.

**How does the company decide which items to carry?**

Trade shows are an important source of information about new items.

**What type of services does the company offer, such as ski rentals, skate sharpening, bike adjustments?**

Many stores offer additional services to increase customer loyalty.

### **Customers, Marketing, Pricing, Competition**

**Which demographic is of most interest to the company?**

Some target wealthier baby boomers while others focus on the youth market.

**What types of marketing does the company do?**

Newspaper advertising, inserts, direct mail, sales events, and sports sponsorships are typical.

**Who are the company's main competitors?**

Competitors include mass merchandisers, Internet-only competitors, and specialty sports stores.

**How does the company price its products versus its competitors?**

Some companies choose to be the price leader while others, such as Dick's Sporting Goods, price competitively and offer a price matching policy.

**How often does the company make periodic price reductions to move inventory?**

Many stores offer end-of-the-season sales to move merchandise.

**What kind of mail-order or Internet sales options does the company offer, if any?**

Many sports participants prefer to buy equipment locally, but mail-order and Internet firms have larger selections.

### **Regulations, R&D, Imports and Exports**

**How does the company research demographics, if at all?**

Many companies hire market research firms.

**What are the company's dealings with foreign manufacturers?**

An increasing percentage of US sports equipment is manufactured outside the US.

### **Organization and Management**

**What percentage of employees are part-time?**

At the big retailers, 50% or more of employees are part-time.

**How does the company recruit new employees?**

Companies often look for individuals who are avid sports participants.

**What type of training do employees get?**

Many sports require technical knowledge about products.

**What is the annual employee turnover rate?**



Turnover rates tend to be high in retail sales, from 40% to 60%.

**What level of merchandise discount does the company offer employees, if any?**

A 15% to 25% discount for employees is typical.

## Financial Analysis

**How does cash flow change throughout the year?**

Many sports are seasonal. Fourth quarter often has the highest sales.

**How much do inventories change throughout the year?**

The selling season for many sports is very short, requiring a big inventory buildup.

**How does the company dispose of excess or obsolete inventory?**

Many stores offer end-of-the-season sales to dispose of merchandise.

## Business and Technology Strategies

**What are the company's expansion plans?**

Growth is most often achieved through new stores, rather than expansion of existing ones.

**How does the company differentiate itself from its competitors?**

Pricing, merchandise, technical services, and identification with local sports teams are various methods.

**What is the company's investment in apparel?**

Apparel has become one of the biggest sellers, but requires different management skills.

**What type of inventory management system does the company use?**

Companies use systems that include point-of-sale (POS) terminals; handheld scanners; and optimizing software to determine optimal inventory levels, inventory replenishment schedules, and merchandising decisions (best- and worst-selling items). Such systems are crucial for companies with multiple stores and centralized purchasing and distribution.

## Quarterly Industry Update

### 4.9.2018

**Challenge: Shakeup in Sporting Goods Retail** - UK sportswear retailer JD Sports Fashion is moving to expand its global reach with the purchase of Finish Line in the US. The move to buy Finish Line, which has shuttered nearly 100 stores over the past five years, gives JD Sports access to the world's largest athleisure market through Finish Line's remaining 556 stores and online business. The deal, which is pending, may also act as a trigger to broaden the ongoing shakeup in US sporting goods retail. JD Sports' larger rival Sports Direct International (SDI), which was said to be eyeing Finish Line last fall, could make a play for another US retailer. Likely targets include Foot Locker and Hibbett Sports, according to Seeking Alpha. SDI entered the US market in 2017 when the company purchased sporting goods retailers Bob's Stores and Eastern Mountain Sports out of bankruptcy.

**Industry Impact** - Fierce competition among US sporting goods retailers is making weaker players vulnerable to takeovers.

### 1.1.2018

**Challenge: Athleisure Apparel Sales Limp into 2018** - Sales of athleisure apparel, formerly a bright spot for struggling sporting goods retailers, may be running out of steam. US activewear apparel sales totaled \$45.9 billion in 2016, up 11% from 2015, outperforming the traditional apparel sector overall, according to NPD Group. Beginning in 2017 however, the athleisure fashion trend came to a "screeching halt" as new competitors, including discounters and fast-fashion chains, entered the field, according to Quo Vadis Capital. Consequently, retailers such as Dick's Sporting Goods, Foot Locker, and Finish Line turned to deep discounts to clear a glut of inventory. But unexpectedly strong results from Lululemon (known for ultra-pricey yoga togs), saw sales climb 8% in Q3 versus the year earlier period, suggesting the problem may not be the product, but how it is presented to customers. Lululemon's aspirational brand focus and legion of "brand ambassadors" from local yoga instructors to athletic trainers appear to set it apart in a crowded retail environment characterized by commoditization and rampant discounting. The chain's ability to introduce exciting new product and control inventory levels, could give it an additional leg up.

**Industry Impact** - Sporting goods stores looking to revive slumping athleisure apparel sales will want to take a page from Lululemon's playbook and focus on product innovation and cultivating an aspirational brand focus among consumers.

9.25.2017

**Challenge: Key Brands Try On Alternative Distribution Channels** - Big sportswear and footwear brands are increasing their sales through other distribution channels, putting pressure on sales growth at sporting goods stores. Market leader Dick's Sporting Goods recently lowered its sales and earnings outlook after experiencing essentially flat year-over-year same-store sales in the second quarter. Amid weak North American sales, key brands such as Nike, Under Armour, and Adidas are launching or increasing their sales presence on Amazon and focusing on their own direct-to-consumer platforms. As in other retail sectors, Amazon is a looming threat to sporting goods stores. While the online giant accounted for just \$5.5 billion out of \$120 billion in US outdoor and sporting goods sales in 2016, it's outpacing the rest of the industry's sales growth by a factor of four, according to Retail TouchPoints.

**Industry Impact** - As key sportswear and footwear brands defect to alternative distribution channels, sporting goods stores could see their sales and profits fall.

6.26.2017

**Opportunity: Participation in Fitness Activities Continues to Rise** - The standouts in an otherwise mixed report on growth in sports participation in the US are female and adult involvement in fitness and outdoor activities, according to a 2017 industry survey. The National Sporting Goods Association's (NSGA) 2017 report on Sports Participation in the US found that only half of the segments saw an increase in participation, compared with all segments in the 2015 NSGA report. Fitness and open water activities as well as shooting sports posted gains, while personal contact sports, and wheel and snow sports, among others, did not. A longer-term view of participation reveals that the majority of segments have struggled to grow participation, with the fitness activity segment being the only one to post sustained growth since the 1990s, according to the report, which was released in May 2017.

**Industry Impact** - Sporting goods stores will want to tailor their merchandising and marketing strategies to reach female and adult consumers engaged in fitness and outdoor activities, including shooting sports.

## Industry Indicators

US consumer spending on nondurable goods, an indicator of sporting good sales, rose 1.6% in February 2018 compared to the same month in 2017.

US personal income, which drives how much consumers might spend on sporting goods, rose 3.7% in February 2018 compared to the same month in 2017.

## Industry Forecast

US personal consumption expenditures on sporting equipment, footwear, guns, recreational boats, and aircraft, are forecast to grow at an annual compounded rate of 3% between 2018 and 2022. Data Published: January 2018



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. [Forecast FAQs](#)

## Companies

Company	Country	Sales
<b>Bike World AG</b>	Switzerland	\$27,216.53M
<b>Bass Pro Group, LLC</b>	United States	\$9,629.50M
<b>Dick's Sporting Goods, Inc.</b>	United States	\$7,921.98M
<b>Wuhan Qianhu Sports Products Co., Ltd.</b>	China	\$7,711.46M
<b>Nanchang Zhongyi Trade Co., Ltd.</b>	China	\$6,848.64M
<b>Bass Pro, LLC</b>	United States	\$5,341.02M
<b>SPORTS DIRECT INTERNATIONAL PLC</b>	England	\$4,200.29M
<b>Cabela's LLC</b>	United States	\$3,997.70M
<b>Camping World Holdings, Inc.</b>	United States	\$3,526.71M
<b>JD SPORTS FASHION PLC</b>	England	\$2,982.38M
<b>Recreational Equipment, Inc.</b>	United States	\$2,557.54M
<b>TORPEDO7 LIMITED</b>	New Zealand	\$2,237.76M
<b>DECATHLON ESPAÑA SAU</b>	Spain	\$2,050.74M
<b>XEBIO HOLDINGS CO., LTD.</b>	Japan	\$2,007.16M
<b>REBEL GROUP LIMITED</b>	Australia	\$1,969.72M
<b>REBEL SPORT LIMITED</b>	Australia	\$1,969.72M
<b>A-MART ALL SPORTS PTY. LTD.</b>	Australia	\$1,969.72M
<b>RAY'S OUTDOORS PTY LTD</b>	Australia	\$1,969.72M
<b>ALPEN CO.,LTD.</b>	Japan	\$1,958.51M

Tsawd, Inc.	United States	\$1,821.93M
Yantai Ruidong Commerce and Trade Co.,Ltd.	China	\$1,638.23M
Academy, Ltd.	United States	\$1,520.66M
XEBIO CO., LTD.	Japan	\$1,300.04M
DECATHLON ITALIA SRL	Italy	\$1,289.37M
FGL Sports Ltd	Canada	\$1,176.99M
Gander Mountain Company	United States	\$1,173.70M
Scheels All Sports, Inc.	United States	\$1,115.98M
Big 5 Sporting Goods Corp	United States	\$1,021.24M
Hibbett Sports, Inc.	United States	\$972.96M
Hibbett Sporting Goods, Inc.	United States	\$943.00M

## Industry Drivers

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually



**Consumer Spending** Change in overall level of consumer spending on goods and services

## Critical Issues

**Dependence on Consumer Income** - The revenue of sporting goods stores is sensitive to the health of the economy, as sports are leisure activities for most participants. Spending on sporting goods correlates strongly with declines or gains in consumer income. Any slowdown in the economy impacts discretionary income and consumers' willingness to buy sporting goods.

**Slower Growth of Athlete Population** - Demographics play a big part in sporting goods sales, since participation in sports tends to vary among different age groups. The number of Americans ages 5 to 19, the most athletically active segment of the population, is expected to increase 7% by 2020 compared to 2000. A more affluent and still active group, those ages 20 to 45, will grow only 4%. About 30% of Americans actively participate in sports.

## Business Challenges

**Competition from Mass Merchants** - Large discounters like Wal-Mart with big sports departments have rapidly expanded in recent years. Wal-Mart is now considered the largest retailer of sporting goods and toys. In general, mass merchants carry a more limited selection of sporting merchandise. Pressure from mass merchants can force sporting goods stores to reduce their prices or increase spending on advertising.

**Seasonal Demand** - Typically, sporting goods products are bought for back-to-school, seasonal, holiday needs, or around Christmas time for gifts. Some sporting goods, like tennis rackets and surfing gear, are usually purchased in spring and summer, while other goods, like skis, are bought in fall and winter. Hunting season is usually in fall and winter, a time when gun sales usually increase.

**Competition from Electronics** - The US sporting goods industry competes for attention with electronic and entertainment leisure diversions like TV, movies, the internet, and especially video games. Sedentary habits of children, which has led to high levels of childhood obesity, partly reflect the strong growth of video gaming in recent years, especially among teenage boys.

**High Employee Turnover** - A shortage of knowledgeable employees is a major problem for sports retailers.

Smaller stores, especially, rely on having greater expertise in particular sports to draw customers. Annual employee turnover in the retail sales industry can reach 60%. A typical 20,000 square foot store requires 20 to 25 employees.

**Regional Preferences** - Merchandise should reflect the needs of the local customer. Stores often study local sports trends to maintain a supply of products for each community's special interests. Stores also carry apparel that reflects the community's interests in regional college and professional sports teams.

**Minimum Wage Laws** - Retailers must follow state and federal minimum wage changes since many employees are often paid minimum or near-minimum wage. The federal minimum wage increased incrementally in 2008 and 2009, to \$7.25 an hour. States such as California and Massachusetts have approved higher minimum wage standards, and there is a push to increase the federal minimum wage.

## Business Trends

**Changing Tastes** - The National Sporting Goods Association (NSGA) sports participation survey shows that the popularity of various sports has changed in the last decade: running, gym workouts, and target shooting have increased in popularity, while golf, in-line roller skating, skateboarding, and cross country skiing have decreased. Participation in tackle football among children also has fallen, as safety concerns have been publicized. Among teenagers, participation has dropped in most activities over the past decade, except aerobic exercising, target archery, walking, equipment exercising, ice hockey, and kayaking. Female participation in sports is driving much of the growth in popular sports.

**Multiple Growth Strategies** - Strong demand for sporting goods in the past decade allowed many sporting goods retailers to expand operations, using different strategies. Large-format retailers like now-defunct Sports Authority followed a strategy of entering large new markets with multiple stores, benefiting from shared marketing and distribution. Smaller retailers like Hibbett have followed a strategy of serving mid-sized markets, avoiding competition from the large-format companies. Companies like Dick's Sporting Goods have grown by acquiring other retailers, opening stores in new markets, and pursuing an aggressive omnichannel strategy.

**Catalog Sales** - Every year in the first quarter, mail order and sporting goods makers' catalogs are mailed to potential customers. Many sporting goods catalogs have only 25 to 75 pages, but some, including the "master" catalogs published by Cabela's and Bass Pro Shops, can have more than 700. Many fishers and hunters prefer to buy equipment locally, but firms like Cabela's and Bass Pro have huge selections that few local stores can rival.

**Private, Exclusive Brands** - Stores that carry private and exclusive brands differentiate themselves from the competition. Dick's carries its own private labels, including CALIA by Carrie Underwood, and also exclusive lines from Reebok, Umbro, and Field & Stream. Companies receive higher gross margins on the private and exclusive brands than on sales of comparable products.

**Loyalty Programs** - Some sporting goods retailers offer loyalty programs as incentives for customers. The programs offer customers points for buying merchandise as well as other activities such as referring friends to the store or taking surveys. Points add up to store discounts, coupons, or other bonuses. For example, Hibbett has an MVP loyalty program and Dick's has a ScoreCard Rewards program.

**Participation in Team Sports Falls** - A drop in the number of people participating in team sports could affect sporting goods sales. While nearly 60% of those born after 2000 participate in team sports, participation rates decline steeply with age. About a third of millennials are involved in team sports, while less than 20% of Gen Xers (1965-1979), and just 6% of baby boomers are involved, according to The Physical Activity Council's 2016 Participation Reports. Core participation in team sports, which measures people who regularly participate, has increased since 2008. That increase is good news for sporting goods retailers, because core participants tend to spend more on sports and fitness products and buy higher-end products.

**More Women Participate in Hunting** - The number of female hunters is increasing in the US, accounting for 11% of the 13.7 million hunters in the country, according to the Census Bureau. That is a more than 25% increase from 2006, when 9% of women hunted. Marketing campaigns, along with growing interest in sustainable food preparation, are likely drawing more women to hunting. Many women also enjoy the social bonding and sense of empowerment they get from shooting game. As more women hunt, they also will increasingly spend money on gear. Sporting goods stores may offer more hunting gear specifically made for women such as apparel, guns, and archery equipment.

## Industry Opportunities

**More Apparel, Accessories** - For some retailers, sports apparel is the best-selling product, ahead of athletic

shoes and sports equipment. Many consumers wish to project an athletic image, even if they only occasionally engage in sports. The popularity of hiking, camping, and gym workouts have also sharpened consumer demand for outdoor and indoor sports apparel.

**Internet Sales** - Although many sporting goods retailers operate internet sites, the volume of online sales remains small compared to store sales. Internet sites have been most effective at selling specialized equipment normally not found in local stores. Specialty retailer Cabela's operates retail stores but receives about 20% of its sales through its direct sales channels, including the internet. Many retailers continue to develop their internet sales capabilities by enhancing customer experience and tapping into mobile sales in order to compete with their online-only competitors.

**New Sports Activities** - Increasing participation in nontraditional sports such as adventure racing, stand up paddling, and mixed martial arts create demand for new segments of sporting gear. The number of regular adventure racers (who use maps or other navigation devices in combination with running, biking, paddling or climbing) increased more than 30% from 2011 to 2012, according to the Sporting Goods Manufacturers Association. Participation in these niche activities has not come at a cost to traditional sports, which could increase overall demand for athletic apparel and equipment.

**Team Sport Sales** - Some sporting goods stores also supply customized athletic apparel to local sports teams. Hibbett Sports sells apparel, equipment, and footwear to schools and youth associations through its Hibbett Team Sales unit. Supplying athletic apparel can help diversify a retailer's revenue stream.

**University Research** - Sporting goods manufacturers can turn to universities for research on new product development. For example, MIT's Sports Technology and Education program tests and creates new sporting goods products, explores new technologies related to sports, and designs safer sporting equipment.

**Boomers Get Fit** - Retired people are staying active and getting fit in order to improve health and enjoy a better quality of life. The number of Americans over 65 will increase more than 40% by 2020 compared to 2011, according to projections by the US Census Bureau. Popular sports and fitness activities among baby boomers include swimming, using exercise machines, and bicycling.

**Athleisure' Segment Boosts Sales** - Sportswear has become a hot commodity among consumers in the US and worldwide, despite shrinking or slowly rising participation in many sports, and sporting goods retailers are attracting new customers by buying into the trend. The \$44 billion-in-sales US market for casual workout attire -- a style that has been dubbed "athleisure" -- is far outpacing that of apparel in general, according to NPD Group. Morgan Stanley forecasts the global athleisure market to increase from \$197 billion in 2007 to more than \$350 billion by 2020, with the US market worth as much as \$100 billion.

**Demand for Wearable Tech to Grow** - Sporting goods retailers may want to stock more wearable technology, as consumer demand for the products is forecast to increase. The global wearable technology market is expected to exceed 111 million units by 2018, according to IDC. The wearables segment has three categories: complex accessories (like the FitBit), smart accessories (including third-party applications), and smart wearables (Google Glass). Canadian sporting goods retailer Sport Chek brought several technology innovations to stores in 2014, including the Reebok Checklight, a device worn inside a helmet designed to measure the force of a head trauma, and the Oakley Airwave, ski and snowboard goggles with a heads-up display to track speed, performance, jumps, and text messages.

## Executive Insight

### Chief Executive Officer - CEO

#### Expanding Product Lines

Large discounters have added sports departments to compete with sporting goods retailers. Many sporting goods stores have expanded their product lines to distinguish themselves from such big-box discounters as Wal-Mart. Specialty sporting retailers have long competed based on their extensive product offerings, but even large sporting good chains, such as Sports Authority and Dick's, have added products and private brands to various departments.

#### Changing Product Mix to Match Local Demographic Changes

Changes in US population demographics affect the popularity of various sports. As Americans age, their activities typically become less intense and they move to less vigorous sports. Retailers establish their product mix based on local demographics and market demand, and modify product mix as demographics and market conditions change.

### Chief Financial Officer - CFO

#### Monitoring Inventory Levels

Inventory management is critical for sporting goods retailers due to the relatively short selling season for many



sports. Retailers struggle to predict demand as product orders are placed several months before the "season." Financial staff closely monitors sales data captured at the point-of-sale to identify slow-moving products for potential sale, and fast-moving items where more can be ordered to maximize profit.

#### **Financing Expensive Inventory Merchandise**

Some sporting goods are expensive – guns, golf equipment, and some fitness equipment – with low inventory turns. Although high-end merchandise can require large investment, retailers must stock enough to present a broad choice. Many retailers use bank financing to buy enough inventory to offer choices to customers.

### **Chief Information Officer - CIO**

#### **Installing Inventory Management Systems**

An inventory management system is necessary for sporting goods retailers to manage their largest asset. Many companies have installed computerized systems that include point-of-sale terminals and scanners that can monitor inventory levels, facilitate product re-ordering, and help stocking by printing pricing labels. Such management systems are common at large retailers and are being installed at specialty sporting goods retailers.

#### **Creating Vibrant Online Retail Presence**

The internet has become a major force in the retail industry. While in-store sales account for the vast majority of sales receipts, online sales are increasing. Most large sporting good retailers and many specialty retailers have created internet sites and mobile apps for shopping. Retailers use their sites to educate customers, introduce products, announce special events, and reach consumers outside the areas served by their retail stores.

### **Human Resources - HR**

#### **Managing Part-time Staff**

Sporting goods companies rely heavily on part-time workers due to uneven customer traffic and varying sports seasons. Retailers hire more part-time staff at the beginning of certain sport seasons, such as skiing and back-to-school, to service additional demand. Wages are relatively low, so retailers offer workers employee discounts as a benefit.

#### **Hiring Knowledgeable Sales Staff**

Much sports equipment is technical and highly specialized, requiring sports-specific knowledge. Hiring knowledgeable salespeople is a competitive advantage. Companies recruit employees who are sports enthusiasts and coaches in the sport.

### **VP Sales/Marketing - Sales**

#### **Offering Seasonal Sales Events**

Because of the short selling season for many sports, unsold inventory needs to be disposed of to make room for the next season's sport activities. Most sporting goods retailers have special sales at the end of the sports' season to move such inventory. Many stores stage a pre-season sales event to highlight their merchandise using sports celebrities to attract customers. For such pre-season events, stores build up inventory to ensure adequate supplies on-hand for the event.

#### **Stocking Sports Fashion Apparel**

Many manufacturers recognize the significance of fitness trends and have added fashionable sports apparel to their lines. Sporting goods stores have increased the store space devoted to fashionable sports apparel sales as retailers cater to the public's desire to project a healthy image, and the increasing popularity of outdoor sports that require special clothing, such as camping. Many retailers have created apparel sections in multiple areas of their store, correlating with the appropriate sport or activity.

## **Executive Conversation Starters**

### **Chief Executive Officer - CEO**

#### **What type of product line expansion does the company have planned to counter competition?**

Many sporting goods stores have expanded product lines to distinguish themselves from big-box discounters.

#### **How have demographic shifts impacted the company's product mix?**

Retailers establish their product mix based on local demographics and market demand.

### **Chief Financial Officer - CFO**

#### **How are inventory levels monitored?**

Companies closely monitor sales data captured at the point-of-sale to identify slow- and fast-moving items.

**What strategies are used to finance expensive inventory merchandise?**

Many retailers use bank financing to buy enough inventory to offer choices to customers.

**Chief Information Officer - CIO**

**How does the company manage inventory?**

Many companies have installed computerized inventory systems that can monitor inventory levels, facilitate product ordering, and print pricing labels.

**How does the retailer use its website?**

Retailers use their sites to educate customers, introduce products, announce special events, and reach more consumers.

**Human Resources - HR**

**How does the retailer manage part-time staff?**

Sporting goods companies rely heavily on part-time workers due to uneven customer traffic and varying sports seasons.

**How does the company ensure a knowledgeable sales staff?**

Companies recruit employees who are sports enthusiasts and coaches.

**VP Sales/Marketing - Sales**

**How often does the company hold seasonal sales events?**

Most sporting goods retailers have special sales at the end of the sports season to move unsold inventory.

**How has the retailer responded to increased demand for sport fashion apparel?**

Many manufacturers have added fashionable sports apparel to their lines.

**Financial Information**

**COMPANY BENCHMARK TRENDS**

**Quick Ratio by Company Size**

The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at [www.microbilt.com](http://www.microbilt.com).



### Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.



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### COMPANY BENCHMARK INFORMATION

NAICS: 45111

Data Period: 2016

Last Update March 2018

Table Data Format

Mean

Company Size	All	Large	Medium	Small
Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	38115	6	115	6069

Income Statement				
Net Sales	100%	100%	100%	100%
Gross Margin	29.0%	28.5%	28.5%	29.3%
Officer Compensation	1.8%	0.8%	0.9%	2.3%
Advertising & Sales	1.5%	1.5%	1.4%	1.6%
Other Operating Expenses	24.7%	25.4%	25.2%	24.3%
Operating Expenses	28.0%	27.6%	27.4%	28.2%
Operating Income	1.0%	0.9%	1.1%	1.1%
Net Income	0.2%	0.1%	0.2%	0.2%

Balance Sheet				
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Cash	7.2%	7.9%	6.9%	7.2%
Accounts Receivable	4.6%	4.3%	4.5%	4.7%
Inventory	67.9%	68.8%	68.7%	67.4%
Total Current Assets	81.7%	82.9%	81.7%	81.5%
Property, Plant & Equipment	10.2%	8.8%	9.8%	10.6%
Other Non-Current Assets	8.1%	8.3%	8.5%	7.9%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	21.5%	20.3%	21.7%	21.6%
Total Current Liabilities	38.0%	38.3%	38.4%	37.8%
Total Long Term Liabilities	18.8%	17.1%	18.5%	19.3%
Net Worth	43.2%	44.7%	43.2%	43.0%

#### Financial Ratios

(Click on any ratio for comprehensive definitions)

Quick Ratio	0.32	0.33	0.30	0.33
Current Ratio	2.15	2.16	2.13	2.16
Current Liabilities to Net Worth	87.9%	85.7%	88.9%	87.9%
Current Liabilities to Inventory	x0.56	x0.56	x0.56	x0.56
Total Debt to Net Worth	x1.32	x1.24	x1.32	x1.33
Fixed Assets to Net Worth	x0.24	x0.20	x0.23	x0.25
Days Accounts Receivable	8	8	8	8
Inventory Turnover	x2.11	x1.98	x2.11	x2.13
Total Assets to Sales	50.3%	53.1%	49.9%	50.0%
Working Capital to Sales	22.0%	23.7%	21.6%	21.9%
Accounts Payable to Sales	10.8%	10.7%	10.8%	10.8%
Pre-Tax Return on Sales	0.3%	0.2%	0.4%	0.4%
Pre-Tax Return on Assets	0.7%	0.4%	0.8%	0.7%
Pre-Tax Return on Net Worth	1.6%	0.9%	1.8%	1.7%
Interest Coverage	x1.35	x1.11	x1.44	x1.37
EBITDA to Sales	2.1%	1.8%	2.2%	2.2%
Capital Expenditures to Sales	1.3%	1.1%	1.3%	1.3%

Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at [www.microbilt.com](http://www.microbilt.com).

## ECONOMIC STATISTICS AND INFORMATION

Retail Annual Sales Growth - Census Bureau



#### Change in Consumer Prices - Bureau of Labor Statistics



## VALUATION MULTIPLES

### Sporting Goods Stores

Acquisition multiples below are calculated medians using at least three US private industry transactions completed between 1/2007 and 10/2017 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than \$1B. Data updated annually. Last updated: December 2017.

Valuation Multiple	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBIT	MVIC/EBITDA
Median Value	0.5	1	3.3	2

**MVIC (Market Value of Invested Capital)** = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

**Net Sales** = Annual Gross Sales, net of returns and discounts allowed, if any.

**Gross Profit** = Net Sales - Cost of Goods Sold

**EBIT** = Operating Profit

**EBITDA** = Operating Profit + Noncash Charges



SOURCE: Pratt's Stats, 2018 (Portland, OR: Business Valuation Resources, LLC). Used with permission. Pratt's Stats is available at <http://www.bvresources.com/prattsstats>

## Industry Websites

**Canadian Sporting Goods Association**

Newsletter, research, and employment resources.

**National Association of Sporting Goods Wholesalers**

Mainly hunting and fishing.

**National Sporting Goods Association**

Industry statistics, issues, and trade show calendar.

**Sports & Fitness Industry Association**

News and industry research.

## Glossary of Acronyms

**NSGA** - National Sporting Goods Association

**POS** - point-of-sale

**SGMA** - Sporting Goods Manufacturers Association

**SGMAI** - Sporting Goods Manufacturers Association International

### 13. IBISWorld (Gun & Ammunition Stores in the US)

IBISWorld provides meticulously researched business information and market research on thousands of industries worldwide. IBISWorld employs teams of dedicated expert analysts in the US, UK and Australia who scour economic, demographic and market data, while adding analytical insight that helps organizations of all types make better business decisions. This report was on those who specialize in retailing guns and ammunition. Industries establishments may also sell a range of accessories and apparel in addition to their main product lines.



**WHERE KNOWLEDGE IS POWER**

Lock and load: Industry growth has cooled off as regulations are expected to stabilize

# IBISWorld Industry Report OD4379

## Gun & Ammunition Stores in the US

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# About this Industry

## Industry Definition

This industry comprises establishments that specialize in retailing guns and ammunition. Industry establishments

may also sell a range of accessories and apparel in addition to their main product lines.

## Main Activities

### The primary activities of this industry are

Retailing handguns  
Retailing rifles  
Retailing shotguns  
Retailing ammunition  
Retailing apparel and accessories

### The major products and services in this industry are

Ammunition  
Pistols  
Revolvers  
Rifles  
Shotguns  
Other equipment, apparel and supplies  
Other firearms

## Similar Industries

### 33299a Guns & Ammunition Manufacturing in the US

Operators in this industry manufacture guns and ammunition.

### 45111 Sporting Goods Stores in the US

Operators in this industry retail new specialty sporting goods, including guns and ammunition.

### 45211 Department Stores in the US

Operators in this industry retail a broad range of merchandise, including guns and ammunition.

### 45331 Used Goods Stores in the US

This industry includes retailers that sell guns.

## Additional Resources

### For additional information on this industry

[www.oag.ca.gov/firearms](http://www.oag.ca.gov/firearms)

California Department of Justice - Bureau of Firearms

[www.fbi.gov/about-us/cjis/nics](http://www.fbi.gov/about-us/cjis/nics)

FBI - National Instant Criminal Background Check System

[www.nra.org](http://www.nra.org)

National Rifle Association

<http://www.ucdmc.ucdavis.edu/vprp/>

UC Davis - Violence Prevention Research Program

# Industry at a Glance

## Gun & Ammunition Stores in 2016

### Key Statistics Snapshot

Revenue

**\$8.6bn**

Profit

**\$257.0m**

Annual Growth 11-16

**3.6%**

Wages

**\$2.0bn**

Annual Growth 16-21

**1.1%**

Businesses

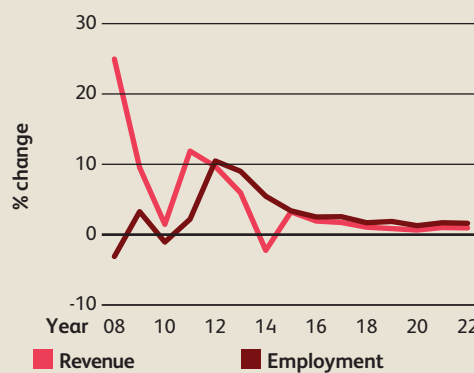
**5,081**

### Market Share

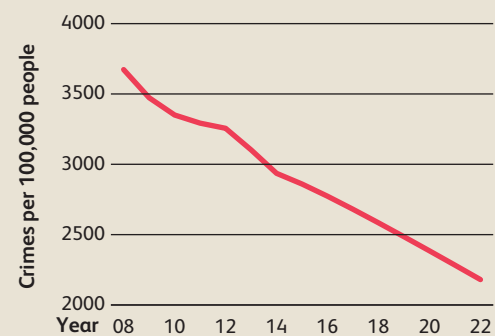
There are no major players in this industry

p. 25

### Revenue vs. employment growth

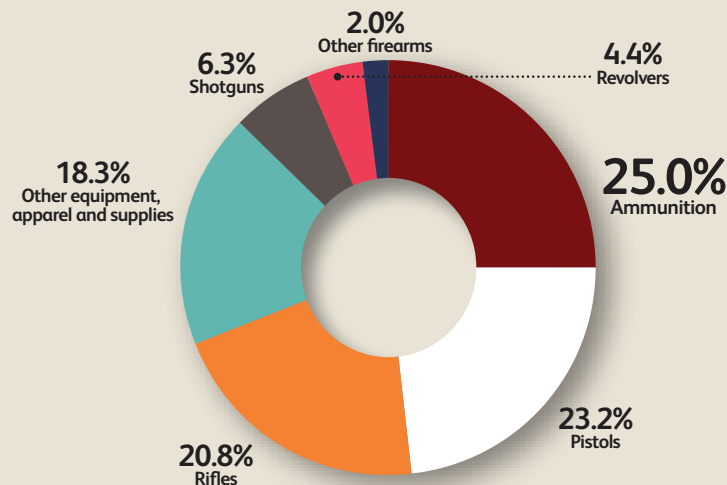


### Crime rate



SOURCE: WWW.IBISWORLD.COM

### Products and services segmentation (2016)



SOURCE: WWW.IBISWORLD.COM

### Key External Drivers

Crime rate  
Per capita disposable income  
Demand from security services  
Time spent on leisure and sports  
Value of residential construction

p. 4

### Industry Structure

Life Cycle Stage	Mature	Regulation Level	Heavy
Revenue Volatility	Medium	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Medium
Industry Assistance	Medium	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 30



# Industry Performance

Executive Summary | Key External Drivers | Current Performance  
Industry Outlook | Life Cycle Stage

## Executive Summary

The Gun and Ammunition Stores industry has grown at a strong annualized rate of 3.6% in the five years to 2016. The industry has experienced mostly consistent revenue growth in response to greater per capita disposable income and gradual growth in the number of game hunters. The industry inadvertently benefits from sudden spikes in consumer firearm purchases immediately following acts of terror or mass shooter events. These events, which receive substantial media attention and often prompt public calls for additional firearms legislation, are routinely met with large increases in

firearms manufacturing, purchasing, carrying, functionality and capacity holds substantial implications for industry operators, which are anticipated to generate \$8.6 billion in revenue in 2016.

The number of gun shops has increased an annualized 3.0% to 6,650 locations in the five years to 2016, despite heavy competition from sporting goods and outdoor stores, online retailers, gun show vendors and pawn shops. Industry stores retain a substantial competitive advantage over external sellers due to the high level of technical and legal expertise and vast product knowledge that is required of employees that retail firearms in this industry. Industry sales have suffered somewhat in response to the growing popularity of online firearm, ammunition and supplies sales, but federal law requires that all online sales of firearms be not only subject to identical brick-and-mortar regulations concerning federal background checks as well as any specific supplementary regulations of the purchaser's municipality. Since it is mandated by federal law that all online purchases of firearms also be fulfilled through the purchaser's local FFL dealer, the industry continues to be a vital component as the buying process expands online. The industry's recent rapid growth is expected to slow over the next five years, with revenue expected to increase an annualized 1.1% to reach \$9.0 billion.

## New proposals to ban rapid-firing assault weapons spurred a surge in gun sales

the number of federal background checks reported prior to sales of firearms via the Federal Bureau of Investigation's National Instant Check System (NICS). The NICS, which tracks every commercial firearm transaction through the industry's Federal Firearms License-approved (FFL) establishments, reports that the total number of background checks has grown from 9.0 million checks in 2005 to 23.1 million in 2015 (latest data available). Continual debate surrounding appropriate federal, state and municipal oversight of

## Key External Drivers

### Crime rate

As the crime rate rises, or when there is a perceived increase in crime, consumers purchase more guns and ammunition for personal protection. Therefore, a rising crime rate positively affects the industry. The crime rate is expected to decrease in 2016, posing a potential threat to the industry.

### Per capita disposable income

Trends in per capita disposable income influence consumer demand for firearms.

Consumers must allocate resources to purchase ammunition and other necessary equipment. Therefore, demand for guns and ammunition is driven in part by the income consumers can dedicate toward these often costly expenditures. Per capita disposable income is expected to increase in 2016.

### Demand from security services

The Security Services industry (IBISWorld report 56161) is a major

# Industry Performance

## Key External Drivers continued

purchaser of firearms and ammunition. This industry provides security for public areas and businesses that have chosen to outsource rather than protect their facilities themselves. This industry also provides security to public icons. In recent years, demand from this industry has been increasing due to a rise in corporate security budgets and improved economic activity. In 2016, demand from security services is expected to increase, presenting a potential opportunity to industry operators.

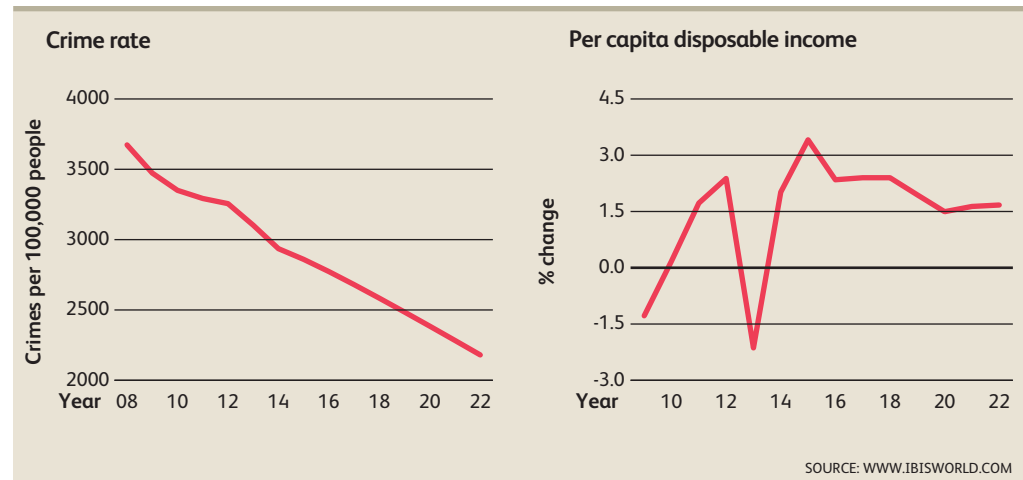
### Time spent on leisure and sports

Individuals hunt during vacations and leisure time, and guns and ammunition

sales depend on sales to hunting enthusiasts. When available leisure time declines, hunting participation falls, leading to lower demand for firearms and ammunition. Time spent on leisure and sports is expected to increase in 2016.

### Value of residential construction

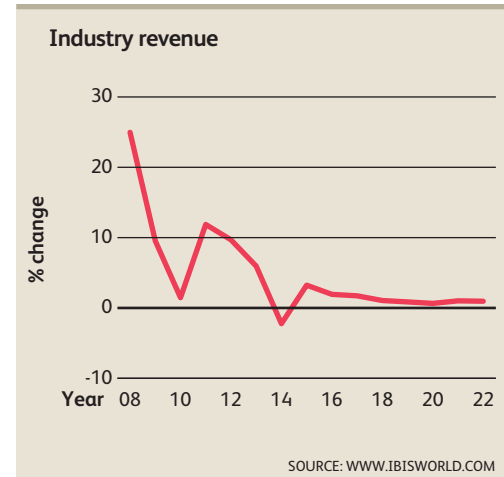
The value of private residential construction includes expenditure on single-family and multifamily structures, as well as manufactured homes. An increase in the value of residential construction may shift consumer purchases in favor of self-defense. The total value of private residential construction is expected to increase in 2016.



# Industry Performance

## Current Performance

The Gun and Ammunition Stores industry has experienced fairly strong growth over the five years to 2016, bolstered by consumers' anticipation of increased violent crime and greater restrictions on firearm ownership. Demand for guns and ammunition is also sensitive to changes in consumer spending and confidence due to the discretionary and costly nature of its products, especially for some brands of firearms and semiautomatic rifles. Over the past five years, demand for industry products has increased significantly due to fears of greater regulations and improved consumer discretionary spending power. However, industry companies did not capture all of this demand as they have been met with fiercer competition from large sporting goods and department stores that have dampened the industry's overall profitability. Nonetheless, accelerating consumer interest in firearms



is expected to drive industry revenue up an annualized 3.6% to \$8.6 billion over the five-year period. Revenue is expected to increase 1.9% in 2016 alone as consumer disposable incomes improve over the year.

## Demand for gun and ammunition stores

Firearms purchases can be attributed to impending regulations, changing consumer demographics and growing defense concerns. Based on data from the US Fish and Wildlife Service, the number of hunters in the United States has grown at an annualized rate of 0.4% to reach 14.8 million in 2015 due to increasing participation in sports across the United States. Women are also becoming an important demand driver for this industry. According to the *Wall Street Journal*, women are increasingly purchasing guns for both safety and recreational use. Increased demand from these groups has helped boost sales of guns and ammunition.

According to the FBI's National Instant Criminal Background Check

System (NICS), in the five years to 2015 (latest available data), the number of background checks increased at an annualized rate of 10.0%, reaching nearly 23.1 million in 2015 up from just 14.4 million in 2010. The federal NICS firearm background check is mandatory for all purchases of firearms from gun and ammunition stores. Ammunition sales, which have historically correlated with gun sales, also increased rapidly during the past decade. These positive developments for the industry have taken place while economic activity and consumer spending slowly improved. For instance, per capita disposable income widened 3.4% in 2015, supporting an industry revenue expansion of 3.2% that year.

# Industry Performance

## Legislation and sales

Consumer fears of stricter gun legislation have also historically been a strong driver for industry revenue. In the five years to 2016, the United States experienced several mass shootings and terrorist attacks, which have generated substantial media coverage. Outcry from the public, news media outlets and political figures for stricter gun policy have led to continued proposals at the state and federal level to further regulate gun sales, reintroduce bans on specific classes of firearms, expand the scope of background checks and limit magazine capacities for some weapons. The potential of a federal ban on the manufacture of certain firearms has caused consumers to pre-emptively purchase firearms, although no major federal legislation deterring the sale of firearms has passed over the five-year period. The number of NICS checks, which serves as a strong indicator of overall firearm sales, increased dramatically from 8.5 million in 2000 to 23.1 million in 2015.

**Demand for industry products increased significantly due to fears of new regulations**

The manufacture, sale, transportation and use of various types of firearms and ammunition is regulated at the federal level, while additional statewide regulations vary substantially across state lines. While federal law protects the rights of individuals to keep and bear arms for self-defense in one's home, legislation concerning the right to openly carry or carry concealed a firearm varies by state. Other various types of legislation concern additional background checks, waiting periods, gun registration, magazine capacity restrictions, self-defense laws and peaceable journey laws are unique to each state and are imposed in addition to federal regulations.

## Competition and profit

Gun and ammunition stores compete with other retailers such as online stores, large department store chains and sporting and outdoor goods stores. According to a survey conducted by the Violence Prevention Research Program at the University of California, Davis, gun and ammunition shops may potentially account for only 30.0% of all firearm sales. Internet retailers, a growing external competitor, often provide detailed product information and offer consumers the convenience of shopping from home. Large department chains like Walmart typically offer a limited selection of firearms; however, these retailers sell

many other products, providing consumers with the convenience of a one-stop shop. Still, the number of industry establishments has increased to satisfy heightened consumer demand. In the five years to 2016, industry establishments grew an annualized 3.0% to 6,650 stores. Gun and ammunition stores have a competitive advantage in that they often offer a wider assortment of firearms and a far superior familiarity and knowledge of specific firearms and their various functions. These factors have resulted in labor expenses growing at an annualized rate of 4.4%, reaching \$2.0 billion in 2016.

# Industry Performance

## Industry Outlook

Operators in the Gun and Ammunition Stores industry will increasingly vie for market share over the next five years due to continued competition from department stores and mass merchandisers. Despite heightened competition, industry revenue is anticipated to grow at an annualized rate of 1.1% to \$9.0 billion over the five years to 2021, driven by increasing disposable income, heightened

enthusiasm for outdoor sports and sudden spikes in purchases in response to proposed new legislation. The industry's average profit margin, however, is anticipated to hover at 2.9% by 2021, as operators will continue to contend with intensifying competition from new entrants and department stores that threaten to undercut the industry's sales and profit margins.

## Demand drivers

IBISWorld projects that the industry will continue growing over the next few years, with revenue projected to increase 1.7% in 2017 alone. Economic conditions are anticipated to continue improving during this period, causing the amount of leisure time spent and participation in sports among the broader population to remain stable at a strong rate. Moreover, women are expected to continue purchasing firearms at higher rates for safety and recreational activities. Additionally, per capita disposable income is anticipated to grow an annualized 2.0% over the five years to 2021; rising incomes will enable more consumers to purchase higher-priced firearms and ammunition. However, revenue growth is not projected to match that of the previous five-year period, as deep concerns among firearm purchasers are expected to settle over the next five years. The election of Donald Trump as President of the United States is

**Rising incomes will enable more consumers to purchase higher-priced firearms and ammunition**

anticipated to shift the federal stance toward opposition to providing additional regulations on the manufacture and sale of firearms beyond those that currently are in place by the FBI and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). Any further regulations and adjustments to the manufacture, sale and use of firearms are expected to occur at state and local level. This is expected to minimize the likelihood of sudden national spikes in firearm sales that often occur following calls for firearm regulation, thereby causing industry revenue to slower and more consistently over the next five years.

# Industry Performance

## Competition and industry profitability

Over the next five years, revitalized consumer disposable income will underpin continued demand for guns and ammunition, increasing the number of companies operating in this market. Larger gun shops like Hyatt Guns will continue to expand to cater to more individuals seeking firearms for security or hunting. Additionally, smaller gun stores will continue to be popular. Over the five years to 2021, the number of establishments is anticipated to grow at an annualized rate of 1.9% to 7,305 stores, as more industry operators expand to reach a larger consumer base. Consequently, employment is expected to rise at an annualized rate of 1.8% to 87,264 workers during the five-year period.

As consumer demand for guns increases, pressure from external competitors is also projected to intensify. Department stores and sporting goods stores will continue to carry firearms, although these stores often do not stock the range of firearms available to establishments in this industry. Competition from large department store chains, such as Walmart, will keep profit margins for gun shop owners in check.

**As competition strengthens, stores will focus on providing high-quality customer service**

However, in August 2015, Walmart announced that it would no longer sell many brands of semiautomatic rifles and start replacing them with hunting rifles and sportsman shotguns. Furthermore, more consumers are expected to take advantage of online shopping, which enables greater product and price comparisons, resulting in downward pricing pressure. However, all online sales of firearms must follow an identical federal background check procedure as store in physical retail stores, and all online sales of firearms must then be completed between the legal firearm purchaser and a Federal Firearms License (FFL) carrying industry operator. As competition strengthens, gun and ammunition shops will focus on providing high-quality customer service and a wider product portfolio than those offered by external competitors.



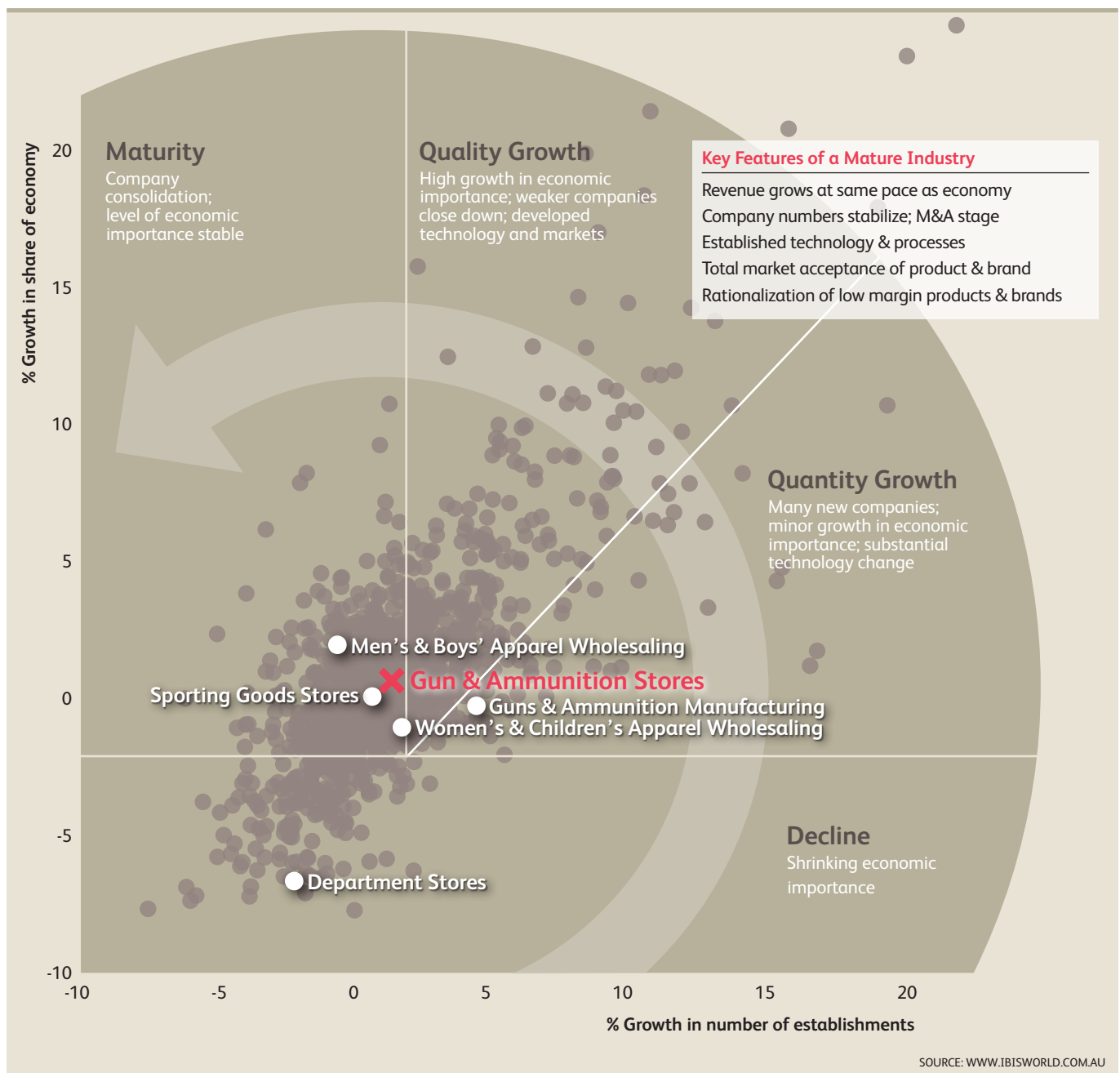
# Industry Performance

## Life Cycle Stage

IVA is growing at a slightly faster rate than GDP over the 10 years to 2021

Gun ownership is continuing to rise steadily, expanding the industry's target market

Federal firearms regulation has not changed over the five-year period



# Industry Performance

## Industry Life Cycle

This industry  
is **Mature**

The Gun and Ammunition Stores industry is currently in the mature phase of its industry life cycle. Industry value added (IVA), which measures the industry's contribution to the overall economy, has grown at an annualized rate of 2.7% over the 10 years to 2021. Comparatively, GDP is expected to grow at an annualized rate of 2.1% during the same period. While industries that generate stronger revenue growth than that of US GDP are typically considered to be in a growth phase, the industry's 9.7% spike in revenue growth during 2012 was a major anomaly that occurred in response to numerous statewide restrictions on firearms sales

immediately following the Sandy Hook Elementary School shooting.

In the five years to 2016, industry establishments have expanded at an annualized rate of 3.0% to cater to an increase in consumer demand for firearms. Industry products hold full market acceptance, which is typical of an industry in its mature phase. Department stores are placing considerable external pressure on Gun and Ammunition retailers by heavily expanding product lines into firearms, ammunition and accessories. However, the industry will still maintain a larger product portfolio than external competitors such as Walmart, which will continue to attract clientele and generate sales volumes.



# Products & Markets

Supply Chain | Products & Services | Demand Determinants  
Major Markets | International Trade | Business Locations

## Supply Chain

### KEY BUYING INDUSTRIES

**99 Consumers in the US**  
Consumers purchase a range of guns and ammunition for hunting and personal defense.

### KEY SELLING INDUSTRIES

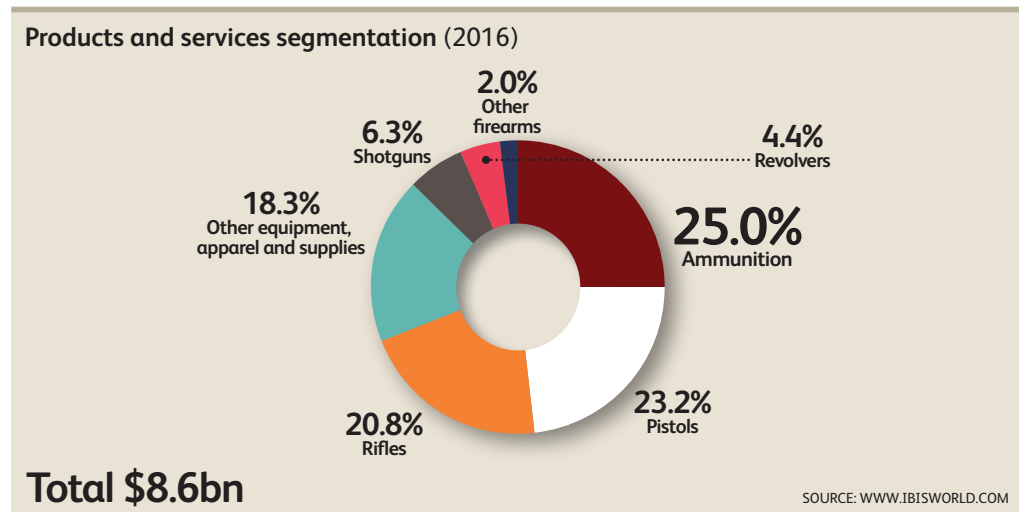
**33299a Guns & Ammunition Manufacturing in the US**  
This industry manufactures small arms (including shotguns, rifles, revolvers, pistols, machine guns and grenade launchers), small arms ammunition, other ammunition and ordnance and accessories.

**42432 Men's & Boys' Apparel Wholesaling in the US**  
This industry supplies a range of apparel for used for shooting and hunting activities.

**42433 Women's & Children's Apparel Wholesaling in the US**  
This industry supplies a range of apparel for used for shooting and hunting activities.

**42434 Footwear Wholesaling in the US**  
This industry supplies stores with specialty hunting shoes and other footwear.

## Products & Services



Gun and ammunition stores retail a range of products. Most stores focus on the sale of guns and ammunition, with ancillary equipment and accessories stocked as well.

### Long guns

Long guns are firearms with longer barrels and are designed to be fired while braced against the shoulder. In 2016, long guns account for an estimated 27.1% of industry revenue, with rifles being the biggest product category within the segment (20.8%). Shotguns, which come

in a range of sizes and account for 6.3% of total industry revenue, are used primarily for hunting and are most appropriate for birds or other small game. Shotguns are also used for skeet, trap and clay target shooting. Rifles are also used primarily for plinking, hunting and target shooting. States have varying restrictions on the sale of rifles, while the National Firearms Act (NFA) requires that all purchasers of fully automatic weapons be subject to an extensive background check and registration with

# Products & Markets

## Products & Services continued

the NFA registry, while several states have provisions that prohibit the ownership of these weapons entirely.

Demand for certain long guns has increased over the past five years as a percentage of total industry revenue, although sales of handguns have eclipsed this pace. One popular model for which demand has increased significantly over the past five years is the AR-15, a lightweight, magazine-fed, semiautomatic rifle. Sales of this firearm have risen substantially in response to proposed legislation that would put a nationwide ban on the rifle.

### Handguns

Handguns, incorporating both pistols and revolvers, are designed to be held in either one or two hands. The word 'pistol' is sometimes synonymous with 'handgun.' However, pistols are actually a subcategory of handguns, in that they have one chamber integral with the barrel, as opposed to a revolver, which has a revolving cylinder containing multiple chambers. Sales of pistols comfortably outweigh revolver sales by about four to one.

Handguns are smaller, lighter and easier to carry than long guns, however, are generally not as accurate over a longer range. Handguns are primarily used for home defense or hobby uses such as shooting ranges or for collecting. Handguns have limited use as a hunting weapon. The most popular handguns over the past few years have been the Smith & Wesson M&P Shield, Ruger LCP, Springfield XD-S, Sig Sauer P938 and the Glock 19.

### Ammunition

Ammunition for all firearms accounts for an estimated 25.0% of total industry revenue. According to the National Shooting Sports Foundation, about 70.0% of ammunition is for nonhunting use, primarily target practice. Hobby target shooters can use hundreds or even thousands of bullets a week, depending

on the frequency of their visits to a range. Conversely, hunters may only use a few rounds of ammunition during a day of hunting. For this reason, many retailers accommodate loyal customers with bulk discounts on ammunition.

Ammunition sales typically soar in response to proposed legislation that would restrict the availability of firearms and ammunition. Additionally, ammunition prices are seasonal and fluctuate regularly depending on when hunting seasons begin and if there are sudden surges in firearm sales. Many gun and ammunition store owners report shortages and trouble sourcing certain ammunition, since demand for ammunition commonly outstrips supply. Ammunition is commonly sold in boxes of 50, 100, 250, 500 or 5,000 cartridges. Of the most common calibers, .22 long rifle is a small and low-price round that is very popular among small game hunters and plinking shooters, while .45 Automatic Colt Pistol (ACP) is a larger caliber and more costly round that is primarily used for target shooting and self-defense purposes. The price of various cartridges can also vary depending on the grain (i.e. the weight of the cartridge), estimated feet per second, jacket material and other features such as overpressure or hollow-point tips.

### Equipment, apparel and accessories

Gun and ammunition stores retail a large range of hunting and shooting equipment and accessories. These items include scopes, slings, protective eyewear, ear protection, binoculars, holsters, ammunition cases, cleaning kits, tactical apparel and hunting supplies. Specialty gun retailers may have a larger supply of hunting equipment, clothing and footwear, however, these stores compete heavily with sporting goods and outdoor stores in this space. As a percentage of overall revenue, this segment has remained relatively stable over the past five years, representing 18.3% of revenue in 2016.

# Products & Markets

## Demand Determinants

The industry's growth hinges substantially on prevailing conditions in the US economy. Over the past five years, unemployment levels have declined alongside growth in both consumer confidence and per capita disposable income. Given that many of the industry's products are often very costly for individual consumers, additional disposable income enables purchasers to buy either more firearms or firearms of higher quality.

Rising incomes generally increase consumers' ability to purchase big-ticket items such as guns and ammunition. If consumers doubt their ability to maintain their current income levels into the future due to economic uncertainty, they will be likely to reduce or suspend purchases of firearms, ammunition and other accessories. Over the five years to 2016, gun and ammunition purchases have steadily increased alongside lower unemployment levels and rising income.

Firearms regulation can have a strong impact on demand for guns and ammunition. Certain states restrict the

types of ammunition and small arms that consumers may purchase, thus limiting the range and availability of industry products. Strict licensing requirements can also reduce the industry's customer base, as fewer consumers can make gun purchases without first completing the necessary background checks, paperwork and waiting period. Firearm laws vary drastically depending on the state. States with relatively fewer firearm regulations are far more likely to experience greater sales of handguns, long guns and ammunition and will likely have a greater number of retail locations.

Purchases of firearms often experience sudden spikes in response to the public's perception of either escalating violent crime in their area or in response to the public's concern that the availability of firearms in their area may soon be restricted by impending legislation. Mass shooting events and terrorist attacks often propel sales of firearms, with these crimes generating concern among the public that both crime rates and firearm legislation are escalating.

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## Major Markets

The primary markets for the Gun and Ammunition Stores industry can be segmented based on a number of different characteristics, including age, income level, sex and frequency of use.

Furthermore, the main buyers of industry products depend heavily on the type of gun and the intended purpose of use. According to the National Shooting Sports Foundation (NSSF), the most common reasons for buying a modern sporting rifle are recreational target shooting, home defense, collecting, varmint hunting and competition shooting.

The Pew Research Center has tracked gun ownership since 1993, and in a 2014 survey reported that 33.0% of US households owned a gun. The number of households that own a gun is down from

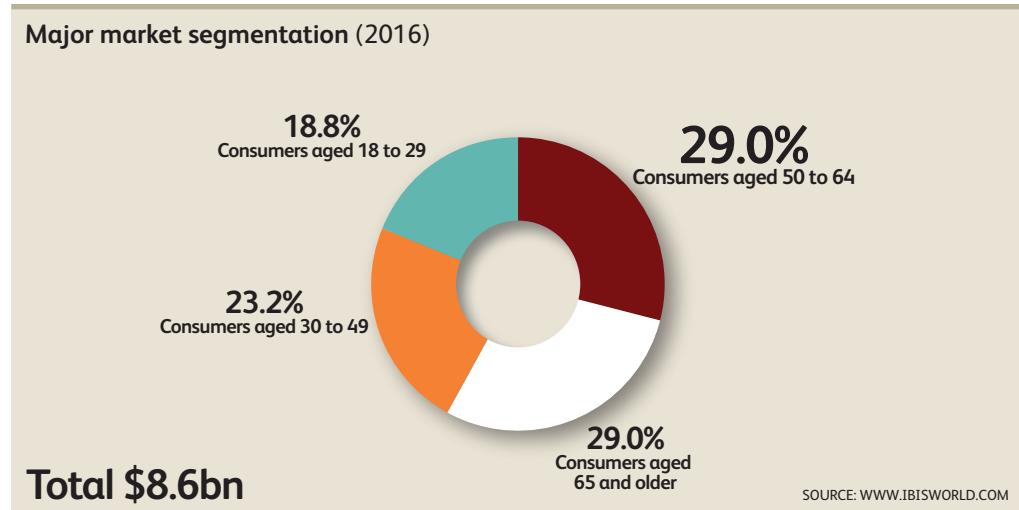
about 50.0% in 1980. This decline has been due to a number of reasons, including more single women households and fewer American families living in rural areas. Gun ownership is most common among non-Hispanic white males who live in rural areas. However, the average age of gun owners has declined slightly over the past five years due to enthusiasm by young consumers purchasing guns for self-defense.

### Consumers aged 18 to 29

Young consumers are the least likely to own a gun, according to Pew Research. Consumers in this age demographic account for 18.8% of industry revenue in 2016. This is due to both income constraints and less interest among this

# Products & Markets

## Major Markets continued



demographic group in owning firearms. A greater proportion of those between the ages of 18 and 29 live in urban areas, where gun ownership is lower and firearm legislation in these areas is often more stringent. However, this demographic represents the industry's fastest-growing market, largely in response to recent mass shootings and terrorist attacks that have occurred throughout the world. Over the past five years, this market segment has increased as a percentage of total revenue as more young consumers have purchased firearms for self-defense purposes. According to the NSSF, this demographic is the most likely to rank home defense as a reason for purchasing a gun.

### Consumers aged 30 to 49

Consumers aged 30 to 49 are an important market for the industry, comprising 23.2% of the industry's customers. This demographic consists of a range of consumers who live in both urban and rural areas and choose to purchase handguns and long guns for sporting and home defense purposes. Additional levels of disposable income, greater homeownership rates and the tendency for individuals in this age group to relocate to rural areas all

contribute to higher firearm purchases within this segment.

### Consumers aged 50 to 64

An estimated 29.0% of the industry's customers are between the ages of 50 and 64. This segment also comprises the largest portion of the country's overall population, resulting in a far higher number of purchases from industry stores. Demand from consumers aged 50 to 64 has declined as a percentage of total industry revenue over the past five years as younger demographics have accounted for an increasingly larger part of the industry's overall sales.

### Consumers aged 65 and older

Consumers aged 65 and older comprise 29.0% of the industry's market share. Old consumers, particularly those in urban areas, are more familiar with hunting and other forms of outdoorsman ship than younger demographic groups. Purchases of guns and ammunition for sporting purposes is far more popular among consumers in this age group than any other segment. In addition, consumers may own more than one firearm and often have access to more leisure time, meaning the segment has a disproportionately high

# Products & Markets

## Major Markets continued

share of total industry revenue. Revenue generated by consumers aged 65 and older has grown over the past five years

as a large number of baby boomers with high disposable incomes have moved into the category.

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## International Trade

The Guns and Ammunition Stores industry engages solely in the retail of firearms, ammunition, apparel and accessories. Since these establishments do not directly engage in the manufacture or international trade of these products, there are no imports nor exports reported. Global trade of the industry's products is instead reported at the manufacturing level.

Gun stores do, however, sell a large amount of imported products. Many of the industry's most popular brands are manufactured domestically, although clothing and accessories are commonly imported from foreign manufacturers.

Imports and exports are measured at the manufacturing level, so are not a factor for the Gun and Ammunition Stores industry. However, operators sell a large amount of imported products. Domestic consumers have increasingly turned to imports to satisfy their rapidly growing demand for guns and

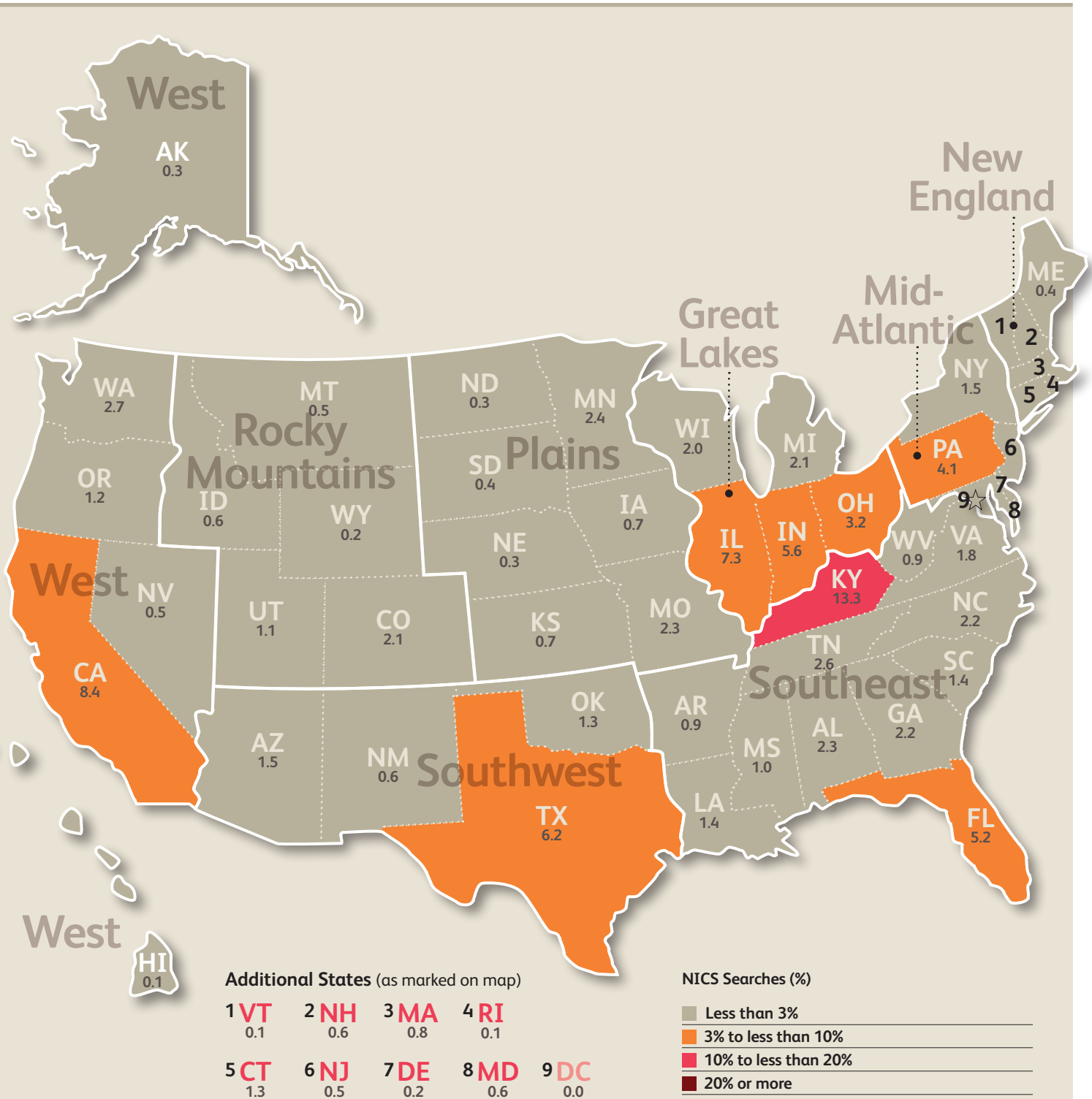
ammunition over the past five years.

With demand for guns and ammunition surging since 2008, domestic manufacturers have struggled to keep up with growing demand, meaning retailers have increasingly looked abroad to satisfy demand. The industry gets a large portion of its firearm imports from Austria and Italy, due to the popularity of the Glock and Beretta brands. Germany and the United Kingdom are the most popular sources of imports of ammunition and ordinance products.

Regulations do limit the industry's trade activity. Firearm and ammunition imports are limited by transfer control law. The Bureau of Alcohol, Tobacco, Firearms and Explosive (ATF) has authority over the importation of firearms to the United States. Firearms must be imported by an importer licensed by the ATF and each importation must be authorized by a permit.

# Products & Markets

## Business Locations 2016





# Products & Markets

## Business Locations

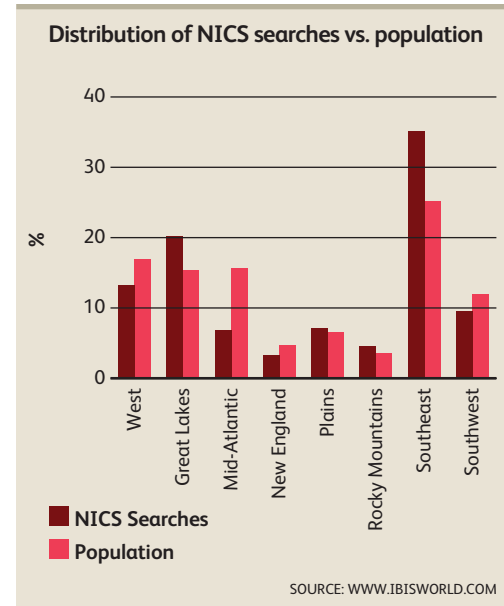
The geographic distribution of industry establishments is highly dependent on regulations governing each state, as well as cultural attitudes toward gun ownership. Industry revenue per capita is also much higher in rural areas where gun ownership is more common. Broader factors such as population distribution and disposable income levels also play a factor in revenue earned in each state or region. The geographic distribution of industry establishments has not shifted noticeably over the past five years; if anything, the industry has become more entrenched in regions where gun and ammunition sales have traditionally been high.

### Southeast

The industry is highly concentrated toward the Southeast, which accounts for 35.2% of total industry revenue. This is significantly higher than the region's share of the national population. Gun legislation in the Southeast is among the most lenient in the United States, with few states requiring licenses for concealed or open carry weapons. The Southeast includes states such as Kentucky, West Virginia, Alabama and Arkansas where gun ownership rates are very high and cultural attitudes favor hunting and open carry. The Southeast also includes a greater percentage of people living in rural areas (where gun ownership is typically high) than most other regions.

### Great Lakes

The Great Lakes is second to the Southeast in terms of revenue generated. Although Illinois has stringent restrictions on the purchase and ownership of handguns, particularly in the Chicago metropolitan area, the rest of the region is generally favorable to guns. This is mostly due to the large rural population in the region, which contributes to the region's 20.2% of the industry's business locations.



### West

The West, consisting of Alaska, California, Hawaii, Nevada, Oregon and Washington state, generates 13.2% of the industry's total sales. California has a high percentage of industry establishments due to the sheer size of its population, however, the state has a low rate of gun ownership as a whole. California restricts its residents to one handgun purchase per 30 days and only permits handguns on its 'approved' list for legal sale. Hawaii is also strict on gun ownership and plays only a minor role in the industry. Meanwhile, Alaska is one of only a few states that does not require a license to carry a concealed handgun and has one of the highest gun ownership rates in the United States.

### Southwest

The Southwest has also been traditionally favorable to gun ownership, resulting in a high percentage of industry sales taking place in the region. Arizona is the most recent Constitutional Carry state in which handguns may be carried openly or concealed by legal residents without the need for a license. The region also

# Products & Markets

## Business Locations continued

contains Texas, which has an extensive history of hunting and open firearm ownership. While Texas does not permit unrestricted carry, the state grants citizens with licenses to do so on a may-issue basis to legal residents. The Southwest comprises 9.6% of the industry's concentration.

### Plains and Rocky Mountains

Gun ownership is high in these regions. However, due to the relatively low population levels compared with other states, the amount of revenue generated by the Plains and Rocky Mountains regions accounts for a respective 7.1% and 4.5% of the national total. States such as Utah, Montana, Wyoming and South and North Dakota have a high proportion of rural dwellers that purchase guns and ammunition for hunting, target shooting and personal defense. These states also have relatively open gun laws compared with other states.

### Mid-Atlantic and New England

Both the Mid-Atlantic and New England represent a significant share of industry revenue that are well under their actual share of the population. New England has the smallest share of any region, with just a 3.3% share in industry revenue. In

states such as Massachusetts and Connecticut, a permit is required to purchase both long guns and handguns, while in Rhode Island a permit is required to purchase a handgun. Also, assault weapon laws and magazine capacity restrictions are more common in New England states and open carry laws are stricter. Consequently, gun ownership rates in states such as Massachusetts and Rhode Island are among the lowest in the nation. Vermont and New Hampshire are notable exceptions in the region; no magazine capacity restrictions and few other tough laws other than those imposed by the federal government exist in these states. Vermont was the first state to introduce the principle of unrestricted open carry and concealed carry among legal residents and citizens of other states.

A relatively low percentage of the industry's revenue is earned in the Mid-Atlantic region. The region includes New York and New Jersey, which have heavy gun restrictions in place and gun ownership in these states is among the lowest in the nation. A notable exception is Pennsylvania, which enables unlicensed open carry of both long guns and handguns everywhere except in Philadelphia.



# Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks

Basis of Competition | Barriers to Entry | Industry Globalization

## Market Share Concentration

Level  
Concentration in  
this industry is **Low**

The Gun and Ammunition Stores industry is highly fragmented and characterized by a large number of small players. Many industry operators are family owned or independently operated and cater to a market niche of local consumers. Sporting goods stores and department stores are not included within this industry as they do not specialize in retailing guns and ammunition, however, the national sporting goods chains do have a large

impact on the industry, as they provide significant competition and restrict the ability of specialty gun and ammunition stores to expand beyond more than a few stores.

In 2016, the industry's top four players are expected to generate less than 5.0% of total market share. Some operators dominate the market of a city or region, but none command a significant national presence and influence the pricing or product development throughout the industry.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

### Having a loyal customer base

There is a distinct competitive advantage to cultivating and maintaining strong long-term customer relationships, which encourages repeat sales and service.

### Proximity to key markets

Successful operators are exposed to a high volume of foot or automobile traffic. Individuals with an active interest in hunting or shooting benefit from easily accessible retail space.

### Ability to control stock on hand

Due to the high cost and low volume of stock on hand, successful operators must ensure that inventory properly suits local demand.

### Having a good technical knowledge of the product

Operators require knowledgeable staff that offer product information and are regularly informed of local, state and federal firearm regulations.

## Cost Structure Benchmarks

### Profit

In 2016, profit, defined as earnings before interest and taxes, is expected to comprise 3.0% of industry revenue. Overall, industry profitability has remained very low over the five years to 2016. Purchasers of firearms typically are not loyal to a specific establishment and will purchase firearms wherever they are sold for the lowest price. Increasing competition within the industry, as well as growing competition from online merchants, has hampered any growth in profitability. Gun shops often carry a wide inventory of accessories, apparel and ammunition to contend with increasing external competition from sporting goods stores that operate a significant number of outlet stores.

Additionally, the entrance of smaller industry operators over the past five years has further constricted profit despite record gun sales during this period. Over the next five years, the number of industry establishments is anticipated to grow, keeping industry profitability from expanding rapidly.

### Purchases

Purchases are the largest expense for the industry, accounting for 62.8% of industry revenue in 2016. The majority of guns and ammunition are purchased directly from manufacturers and are sold within a generate range of manufacturer suggested retail prices. Over the past five years, supply contracts between gun stores and manufactures have been

# Competitive Landscape

## Cost Structure Benchmarks continued

exposed to fluctuations in exchange rates (for internationally sourced merchandise), which often affects purchase costs. The seasonal nature of some sporting equipment may also influence the final price retailers pay for the stock.

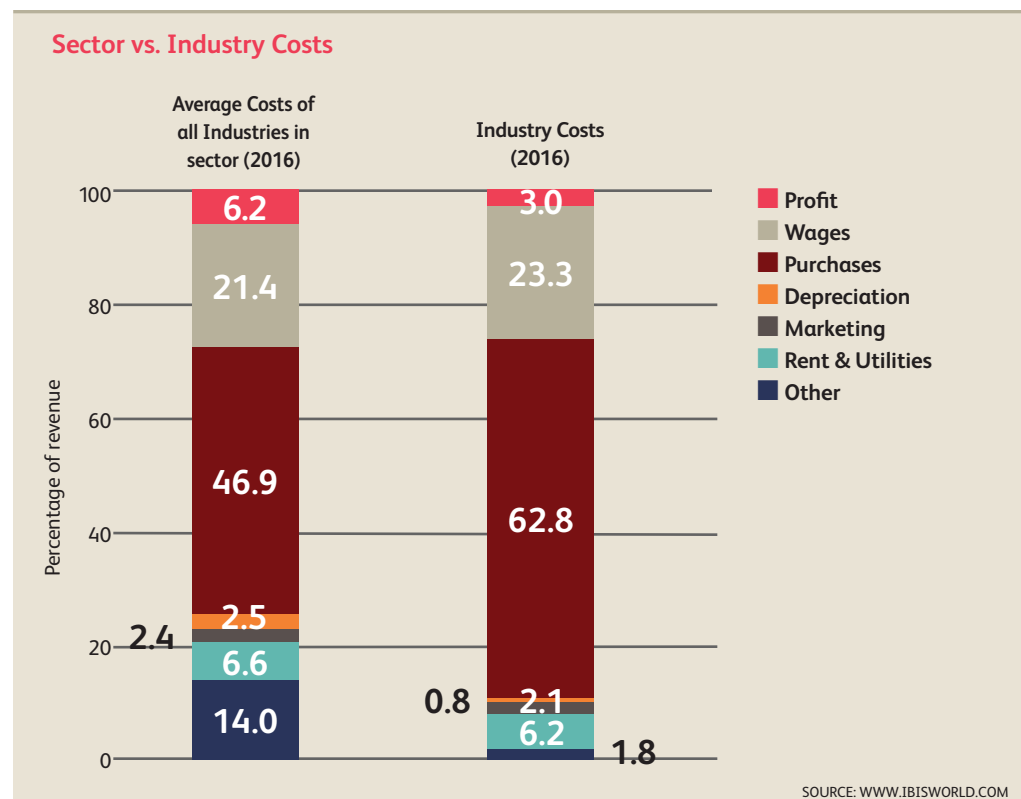
### Wages

Wages are expected to represent 23.3% of industry revenue in 2016. As a proportion of total revenue, wages have increased slightly over past five years due to industry revenue growing faster. However, total industry employment has also picked up as companies open new stores that require more workers and managers. Store employees are expected to undertake a range of laborious tasks, including stocking shelves, organizing store displays, operating cash registers and performing extensive customer service. Staff should have immense

knowledge about the operation of firearms and the various differences among brands.

### Other costs

Depreciation costs account for a minimal 0.8% of industry revenue. Depreciation costs are fairly inconsequential because most stores use little heavy equipment or machinery that is considered to be a depreciable asset. Other costs are expected to comprise 1.8% of total industry revenue and include security, licensing, possible fines and miscellaneous office expenses. Security is prominent in this industry because of the high regulation pertaining to firearms and the high-margin value of guns. For example, under the Gun Control Act of 1968, licensed gun shops are required to record at the point of sale certain information about the buyer and the gun's serial number.



# Competitive Landscape

## Cost Structure Benchmarks continued

Larger gun shops are also expected to engage in more marketing campaigns, boosting the average amount spent on marketing for the industry through 2021. This segment currently accounts

for only 2.1% of industry revenue because most stores are regional and need to account for local regulations as well as relying on word-of-mouth for new business.

## Basis of Competition

Level & Trend  
Competition in  
this industry is  
**High** and the trend  
is **Increasing**

Gun and ammunition stores operate within a highly competitive environment. The industry faces both strong internal competition among competing retailers as well as substantial external competition from competitors that may retail guns but are not by definition considered to be industry gun and ammunition stores.

### Internal competition

Gun and ammunition stores compete on a number of factors, including price, product range, brands offered, customer service and store location. Price remains a very important factor as consumers are inherently price conscious and will compare retailers to find the best available deal. This is especially important ammunition, which is often purchased in bulk.

As competition increases within the industry, customer service is becoming increasingly important. Each firearm varies by dimensions, weight, caliber, capacity, action, material, finish, safety orientation and style. This requires that employees have a strong familiarity with highly specific features and advantages to each model, particularly how certain models may differ from others with respect to its rifling, recoil, trigger pull and other operational characteristics. As a result, staff members must have extensive knowledge and familiarity with a range of products to address customer queries. Many retailers in this industry also offer additional services such as repair services, on-site ranges and lessons. These services provide a competitive advantage over other

retailers and encourage customer loyalty. Competition within the industry has also elevated the importance of store location. The position of a retail store influences the level of consumer traffic the store receives and increases the possibility of impulse purchases. As a result, stores should aim to be located along areas of high consumer traffic, such as within shopping malls or similar locations, where they will benefit from a high level of passing foot traffic.

### External competition

The industry faces stiff external competition, mainly from other retailers such as sporting goods and outdoor stores, as well as department stores such as Walmart. Sporting goods stores such as Cabela's, Dick's and Bass Pro Shops generate substantial sums of revenue from firearm and ammunition sales. Walmart claims to be the country's biggest retailer of guns and ammunition and has grown its market share within the broader retail market for guns over the past five years. The chain sells mainly hunting rifles and ammunition, leaving handgun sales to specialty gun stores.

The industry also competes against secondhand private sale of guns. Gun shows are a major facilitator of buyers and sellers of preowned guns and also serve as a meeting place for shooters to discuss gun topics. Thousands of gun shows take place in the United States each year and most attract between 2,500 and 15,000 attendees, according to the Bureau of Alcohol, Tobacco, Firearms and Explosives. Secondary handgun sales are more likely to spike during times of

# Competitive Landscape

## Basis of Competition continued

economic hardship, when income levels fall and consumers are forced to reduce purchases. Most states do not require background checks to be completed by the federal government for the private sale of one legal gun owner to another legal gun owner. Gun stores that choose to set up a booth and private consumers who establish a booth at a gun show to sell firearms for commercial gain must perform a National Instant Criminal Background Check System (NICS) check.

Virtually all of the industry's goods can be sold online, and this has led to a significant degree of competition for brick-and-mortar gun stores that do not engage in online sales. These transactions cannot occur unless the purchaser the firearm is shipped directly to a local Federal Firearms License-approved (FFL) dealer. All local, state and federal firearms purchasing laws still apply during the online purchase of firearms.

## Barriers to Entry

Level & Trend  
Barriers to Entry  
in this industry are  
**Medium and Steady**

### Licensing

The biggest barriers that may limit potential new entrants from entering the industry pertain to federal and state licensing requirements. Federal law stipulates that only licensed dealers may engage in the business of selling firearms. Once licensed, a federally licensed firearms dealer (FFL) may purchase may engage in the manufacture, importation and sale of firearms. Several classes of FFLs distinguish entities as either a dealer, collector, pawnbroker, manufacturer or importer of the industry's products. FFL holders are also required to maintain registries of sales through regulated recordkeeping methods defined by the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF).

### Capital costs

Prospective entrants into this industry will be faced with a number of barriers, with start-up costs being one of the most prohibitive. The initial cost of establishing or purchasing a retail outlet and providing sufficient inventory may prove costly for new entrants. A large share of funding may also be directed toward advertising and marketing to generate market presence and consumer interest. Furthermore, existing and well-established distribution networks among operators and suppliers may deter potential operators from entering this industry. For

### Barriers to Entry checklist

Competition	High
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Medium
Regulation & Policy	Heavy
Industry Assistance	Medium

SOURCE: WWW.IBISWORLD.COM

new entrants to be successful, they need to establish upstream supply relationships with manufacturers and wholesalers to secure high-quality, low-priced stock.

### Competition

New entrants need to consider the competitive landscape of the industry. While the Gun and Ammunition Stores industry is highly fragmented, consisting of a large number of small players, the broader retail market for guns and ammunition is very competitive. Walmart and a number of national sporting goods chains sell a significant proportion of the country's guns and ammunition and can offer a broad range of products at competitive prices. As a result, competition is fierce, with many operators competing on price and customer loyalty. This is not a formal barrier to entry, although it does represent a barrier to potential success.

# Competitive Landscape

## Industry Globalization

Level & Trend  
Globalization in this industry is **Low** and the trend is **Steady**

The level of foreign ownership within the Gun and Ammunition Stores industry is low. The vast majority of retailers are small, locally owned and operated stores that serve a defined geographic area. There are no large international players within the industry and there are limited opportunities for US gun and

ammunition retailers to expand overseas because of regulatory restrictions that typically exist throughout the world. Furthermore, while the industry does retail a high proportion of products that are imported from overseas, international trade is recorded at the manufacturing level and is not a factor for this industry.

# Major Companies

There are no Major Players in this industry | Other Companies

## Other Companies

A large proportion of guns in the United States are sold through retail channels other than the Gun and Ammunition Stores industry, such as sporting goods stores, department stores and online-only retailers. Meanwhile, the Gun and Ammunition Stores industry is highly fragmented, with no player accounting for more than 5.0% of total industry revenue. This is because most specialty gun and ammunition stores are small, independent operators serving a local geographic area.

### Sporting goods stores

Estimated market share: N/A

Although not included in this industry, sporting goods chains sell a substantial percentage of the guns and ammunition purchased in the United States. Sporting goods stores have the advantage of selling guns and ammunition alongside a range of other products, such as clothing and footwear, outdoor and camping equipment, sporting goods and other hunting equipment. Firearms and ammunition from this segment are often marked up at higher prices than this industry's local establishments and are therefore not an enormous deterrent to the industry's sales.

Major national chains, such as Dick's Sporting Goods, Cabela's, Gander Mountain, Sports Authority and Bass Pro Shops, hold the largest shares of the overall gun and ammunition retail market. However, guns and ammunition make up only a small portion of sales at a typical sporting goods store. For example, hunting equipment, which

includes firearm sales, accounted for 47.1% of the \$2.4 billion in sales made through the 64 Cabela's retail stores in 2014 and 41.2% of the company's direct marketing channel (consisting of website and print catalogue sales). Similarly, hunting accounted for an estimated 43.0% of Gander Mountain's annual sales, according to the latest available public information. Dick's Sporting Goods does not sell handguns, assault weapons or automatic firearms, but does sell hunting rifles, semiautomatic hunting rifles and ammunition. The company currently operates 23 specialty gun and ammunition stores under the Field & Stream brand, with plans to open a number of other similar stores over the next five years.

### Department stores

Estimated market share: N/A

Department stores also compete against industry operators for the sale of guns and ammunition. Walmart is the main retailer in this space, although Kmart and other smaller department stores also play a role. Walmart is both the world's largest retailer and world's largest seller of firearms. The company mainly sells hunting rifles and ammunition. In August 2015, Walmart announced that it would stop selling many of its semiautomatic rifles and replace them with hunting rifles and sportsman shotguns. Kmart has not carried handguns since the 1970s, but still sells a limited range of hunting rifles and other long guns. Kmart phased out ammunition sales in the early 2000s.



# Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility  
Regulation & Policy | Industry Assistance

## Capital Intensity

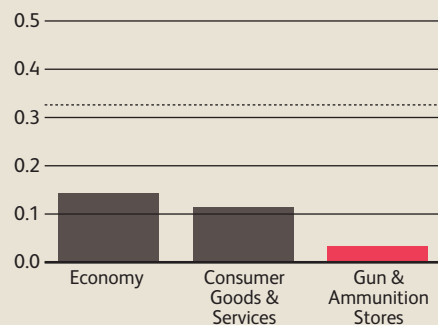
### Level

The level of capital intensity is **Low**

The Gun and Ammunition Stores industry is service-oriented and relies on a wide product portfolio, as well as in depth employee knowledge of firearms rather than the capabilities of heavy equipment. This is particularly the case despite mounting competition from online retailers. Knowledgeable staff members offer gun shops a competitive advantage in customer service. As a result, wages comprise a larger cost segment for the industry, at 23.3% of revenue, while depreciation only accounts for a small portion of revenue (0.8%). Start-up expenses are largely limited to gun and ammunition purchases as well as specialized cleaning tools. For gun shops, properly maintaining and cleaning their firearms

### Capital intensity

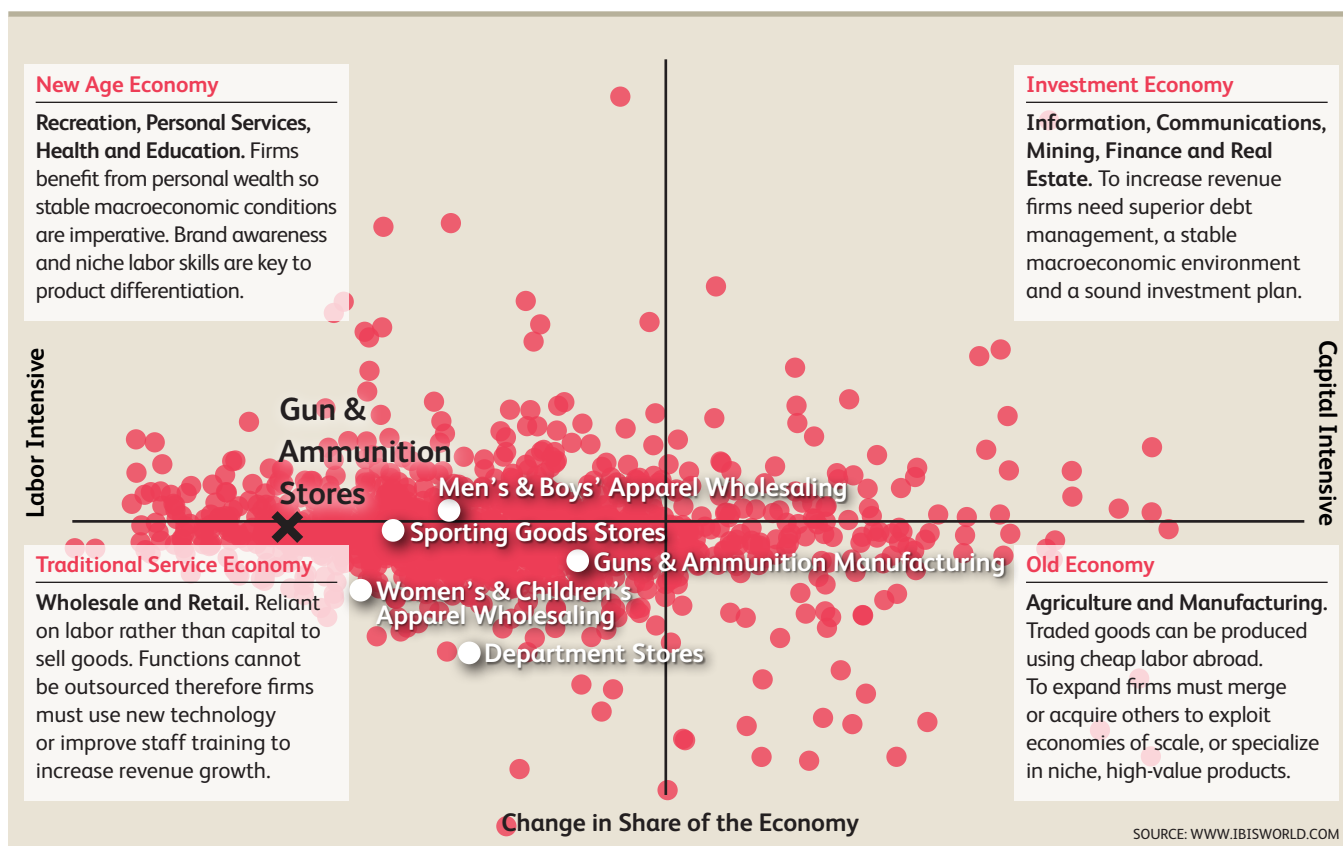
Capital units per labor unit



SOURCE: WWW.IBISWORLD.COM

is essential for extending the useful life of their products. Larger-scale enterprises may purchase and depreciate

## Tools of the Trade: Growth Strategies for Success



SOURCE: WWW.IBISWORLD.COM

# Operating Conditions

## Capital Intensity continued

transportation vehicles but the number of small operators with lower capital costs outweighs these companies. IBISWorld estimates that the average industry

enterprise spends \$0.03 on capital investment for every \$1.00 spent on wages, giving the industry a low level of capital intensity.

## Technology & Systems

Level  
The level of  
Technology Change  
is **Medium**

### Product technology

Retailers need to be at the forefront of the industry in terms of offering the latest products, including products that offer new technological advancements or reiterations. There is high demand for specialized, high-performance firearms. For example, products that are lightweight, offer soft recoiling and can perform dependably after tens of thousands of rounds are the primary standards to evaluate firearms. The functional design of small arms has remained relatively stable over the past five years, with incremental improvements in metallurgy, ammunition and manufacturing technologies. Recent product development initiatives have focused on improving the product's capability and safety.

### Retailing technology

Like retailers of many products, gun and ammunition stores have benefited from a range of technological advances, including the introduction of point of sale (POS) systems, bar code scanning and electronic data interchange (EDI). The implementation of these advances enables retailers to control and record merchandising, distribution, sales and

stock markdowns via POS systems. While bar code scanning offers the advantages of higher labor productivity and increases the speed at which information is passed, it also provides retailers with greater control over the distribution of goods and a reduction of potential errors along the supply chain. Furthermore, EDI systems have enabled operators to streamline the previously paper-dominated ordering process. Civilian purchases of firearms require that Federal Firearms Licenses (FFLs) contact the FBI's National Instant Check System (NICS) prior to sale. The NICS search immediately verifies by telephone that both the dealer and purchaser meet the legal requirements of the transaction by searching through its database.

Advances in technology have also altered the way consumers shop for sporting goods. Key players in this industry have established their own websites, enabling them to sell sporting goods and equipment online. Such advances, however, have created further competition for this industry by providing another avenue for consumers to access and purchase guns and ammunition online rather than visiting brick-and-mortar stores directly.

## Revenue Volatility

Level  
The level of  
Volatility is **Medium**

Revenue for the Gun and Ammunition Stores industry has had a moderate level of volatility over the past five years. This heightened level of volatility is because the industry is dependent on consumer spending and is heavily impacted by regulations. Revenue jumped a sharp

9.7% in 2012, alongside improved economic activity and overall consumer spending. However, it contracted 2.2% in 2014 as fears of tighter regulation abated. In 2016, the industry is expected to grow 1.9% and further gains are anticipated over the five years to 2021.



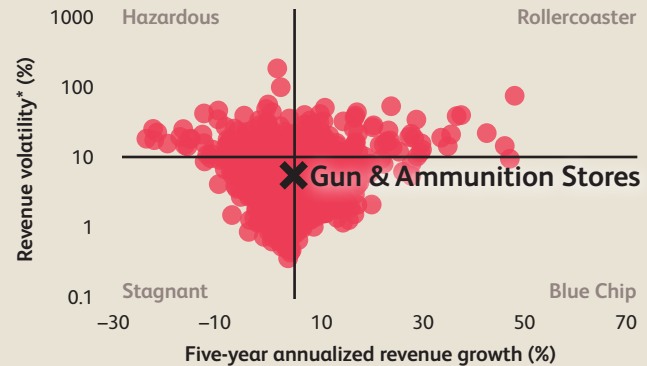
# Operating Conditions

## Revenue Volatility continued

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

### Volatility vs Growth



\* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

## Regulation & Policy

### Level & Trend

The level of Regulation is **Heavy** and the trend is **Steady**

The industry is subject to a high level of regulation. The manufacture, sale and purchase of firearms are subject to extensive federal, state and local governmental regulation. The basic federal laws are the National Firearms Act, the Federal Firearms Act and the Gun Control Act of 1968. These laws generally prohibit the private ownership of fully automatic weapons and place certain restrictions on the interstate sale of firearms unless certain licenses are obtained. From time to time, congressional committees review proposed bills relating to the regulation of firearms. These proposed bills generally seek either to restrict or ban the sale and, in some cases, the ownership of various types of firearms and magazines. Several states currently have laws in effect similar to the aforementioned legislation.

The Brady Handgun Violence Prevention Act, which went into law in 1994, mandated a nationwide five-day waiting period and background check prior to the purchase of a handgun. The Brady Act's five-day waiting period expired in 1998 following the implementation of the FBI's National Instant Check System (NICS), a

database that must be accessed to confirm that a firearms transaction between a Federal Firearms License (FFL) gun store and the prospective buyer occurs through two legal parties. Also in 1994, the Public Safety and Recreational Firearms Use Protection Act imposed a 10-year federal ban on the manufacture for civilian use of certain semi-automatic firearms that meet the federal government's descriptions of "assault weapons" and "large capacity" magazines. The ban expired in 2004 in accordance with the Act's sunset provision, although various states and cities have adopted or proposed additional restrictions on the sale and ownership of these firearms. The Protection of Lawful Commerce in Arms Act of 2005 prevents firearms manufacturers and FFL dealers from being held liable for negligence when crimes are committed by users of their products.

Statewide laws pertaining to firearms retail and ownership vary drastically, with many states requiring no further licensing to retail firearms beyond the federal license. In addition to federal licensing laws, states may have internal

# Operating Conditions

## Regulation & Policy continued

background checks for private sales, extended bans on those weapons classified by the National Firearms Act, additional bans on assault weapons as defined by the state's legislature, licensing and permit requirements for civilians to purchase firearms, additional firearms registration requirements and carry permits for individuals.

Bills are regularly introduced in Congress that may potentially affect the manufacture and sale of handgun ammunition, including bills to regulate the manufacture, import and sale of any projectile that is capable of penetrating body armor, to impose a tax and import controls on bullets designed to penetrate bullet-proof vests. There have also been bills introduced that seek to prohibit the

manufacture, transfer or importation of certain types of handgun ammunition based on caliber; to increase the tax on handgun ammunition; to impose a special occupational tax and registration requirements on manufacturers of handgun ammunition; and to drastically increase the tax on certain handgun ammunition, such as 9-millimeter, .25-caliber and .32-caliber bullets.

There are federal guidelines in place permitting the sale of guns online. They stipulate that guns can only be transferred through a licensed dealer holding a federal firearms license. Before a gun is released to the buyer, the dealer is required to run the same required background check that it would have completed during an in-store transaction.

## Industry Assistance

Level & Trend  
The level of Industry Assistance is **Medium** and the trend is **Steady**

There are numerous tariffs levied on industry products at the manufacturing level. The majority of industry products imported into the United States incur a normal trade relations (NTR) duty of between 0.0% and 4.3%. A non-NTR duty rate of between 27.5% and 45.0% applies to all imports of products from a small number of countries that do not experience NTR duty status such as North Korea, Iran, Iraq and Libya. In some cases, free trade importation agreements are in place.

Industry associations that represent operators in this industry include the Sporting Arms & Ammunition

Manufacturers Association (SAAMA), the National Rifle Association (NRA) and the National Association of Firearms Retailers (NAFR). These associations represent the interests of companies in this industry by facilitating technology council and conferences and providing networking opportunities, industry information, resources, regulatory information, education and standards advice. Associations like the NRA are also known for extensive advocacy on behalf of firearms manufacturers, dealers and owners before lawmakers and agencies at the local, state and federal level.

# Key Statistics

## Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Crime rate (Crimes per 100,000 people)
2007	4,611.6	1,283.9	5,904	4,563	58,576	--	--	1,108.6	N/A	3,748.2
2008	5,763.0	1,479.3	5,496	4,267	56,753	--	--	1,323.7	N/A	3,673.2
2009	6,312.9	1,591.8	5,618	4,330	58,611	--	--	1,408.7	N/A	3,473.2
2010	6,405.0	1,690.6	5,672	4,399	57,990	--	--	1,434.4	N/A	3,350.4
2011	7,165.5	1,917.6	5,723	4,433	59,264	--	--	1,609.5	N/A	3,292.5
2012	7,859.7	2,016.9	6,070	4,685	65,469	--	--	1,702.5	N/A	3,255.8
2013	8,327.2	2,230.3	6,263	4,786	71,365	--	--	1,872.2	N/A	3,102.7
2014	8,140.9	2,171.3	6,342	4,853	75,264	--	--	1,878.2	N/A	2,935.7
2015	8,404.8	2,266.7	6,495	4,963	77,810	--	--	1,947.4	N/A	2,859.6
2016	8,567.2	2,321.6	6,650	5,081	79,764	--	--	1,997.7	N/A	2,772.8
2017	8,715.1	2,379.0	6,804	5,196	81,797	--	--	2,048.8	N/A	2,680.1
2018	8,807.1	2,413.2	6,925	5,290	83,180	--	--	2,083.0	N/A	2,583.7
2019	8,882.7	2,450.5	7,059	5,393	84,736	--	--	2,119.6	N/A	2,485.0
2020	8,940.5	2,477.4	7,183	5,492	85,815	--	--	2,145.3	N/A	2,384.7
2021	9,030.8	2,514.1	7,305	5,586	87,264	--	--	2,180.8	N/A	2,283.0

## Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Crime rate (%)
2008	25.0	15.2	-6.9	-6.5	-3.1	N/A	N/A	19.4	N/A	-2.0
2009	9.5	7.6	2.2	1.5	3.3	N/A	N/A	6.4	N/A	-5.4
2010	1.5	6.2	1.0	1.6	-1.1	N/A	N/A	1.8	N/A	-3.5
2011	11.9	13.4	0.9	0.8	2.2	N/A	N/A	12.2	N/A	-1.7
2012	9.7	5.2	6.1	5.7	10.5	N/A	N/A	5.8	N/A	-1.1
2013	5.9	10.6	3.2	2.2	9.0	N/A	N/A	10.0	N/A	-4.7
2014	-2.2	-2.6	1.3	1.4	5.5	N/A	N/A	0.3	N/A	-5.4
2015	3.2	4.4	2.4	2.3	3.4	N/A	N/A	3.7	N/A	-2.6
2016	1.9	2.4	2.4	2.4	2.5	N/A	N/A	2.6	N/A	-3.0
2017	1.7	2.5	2.3	2.3	2.5	N/A	N/A	2.6	N/A	-3.3
2018	1.1	1.4	1.8	1.8	1.7	N/A	N/A	1.7	N/A	-3.6
2019	0.9	1.5	1.9	1.9	1.9	N/A	N/A	1.8	N/A	-3.8
2020	0.7	1.1	1.8	1.8	1.3	N/A	N/A	1.2	N/A	-4.0
2021	1.0	1.5	1.7	1.7	1.7	N/A	N/A	1.7	N/A	-4.3

## Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2007	27.84	N/A	N/A	78.73	24.04	9.92	18,925.84	0.01
2008	25.67	N/A	N/A	101.55	22.97	10.33	23,323.88	0.01
2009	25.22	N/A	N/A	107.71	22.31	10.43	24,034.74	0.01
2010	26.40	N/A	N/A	110.45	22.40	10.22	24,735.30	0.01
2011	26.76	N/A	N/A	120.91	22.46	10.36	27,158.14	0.01
2012	25.66	N/A	N/A	120.05	21.66	10.79	26,004.67	0.01
2013	26.78	N/A	N/A	116.68	22.48	11.39	26,234.15	0.01
2014	26.67	N/A	N/A	108.16	23.07	11.87	24,954.83	0.01
2015	26.97	N/A	N/A	108.02	23.17	11.98	25,027.63	0.01
2016	27.10	N/A	N/A	107.41	23.32	11.99	25,045.13	0.01
2017	27.30	N/A	N/A	106.55	23.51	12.02	25,047.37	0.01
2018	27.40	N/A	N/A	105.88	23.65	12.01	25,042.08	0.01
2019	27.59	N/A	N/A	104.83	23.86	12.00	25,014.16	0.01
2020	27.71	N/A	N/A	104.18	24.00	11.95	24,999.13	0.01
2021	27.84	N/A	N/A	103.49	24.15	11.95	24,990.83	0.01

# Jargon & Glossary

## Industry Jargon

**AMMUNITION** Primers that are fired from guns, explosive military items like grenades and bombs and any materials that are thrown in fight.

**BRICK-AND-MORTAR** A retailer that has a physical presence of a building or other structure, as opposed to a retailer that only sells products online.

**HANDGUN** A firearm designed to be handheld, in either one or both hands.

**LONG GUN** A firearm with a longer barrel than other classes that is designed to be fired braced against the shoulder.

**MAY-ISSUE** A term used to describe a jurisdiction that will grant a legal firearm owner the right to carry a firearm on his person following the approval of a granting government authority.

**PLINKING** Recreational target shooting commonly done using paper, metal or nonstandard targets.

**SHALL-ISSUE** A term used to describe a jurisdiction that will grant a legal firearm owner the right to carry a firearm on his person without needing to meet local governing authority's approval.

## IBISWorld Glossary

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70 % of industry revenue. Medium is 40 % to 70 % of industry revenue. Low is less than 40 %.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5 % , medium is 5 % to 20 % , and high is more than 20 % . Imports/domestic demand: low is less than 5 % , medium is 5 % to 35 % , and high is more than 35 % .

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

# Jargon & Glossary

## IBISWorld Glossary continued

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

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**At IBISWorld we know that industry intelligence  
is more than assembling facts  
It is combining data with analysis to answer the  
questions that successful businesses ask**

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**Identify high growth, emerging & shrinking markets**  
**Arm yourself with the latest industry intelligence**  
**Assess competitive threats from existing & new entrants**  
**Benchmark your performance against the competition**  
**Make speedy market-ready, profit-maximizing decisions**

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**Who is IBISWorld?**

We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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#### 14. Average Hand & Long Gun Retail Price

Report on Average retail price of new units in the area. The results presented in Table 1 and Table 2 represent only new firearms sold from 2010 to 2014, with results presented for each year separately. The average price paid for each type of firearm is also presented at the bottom of each table.

The “Long Gun” category consists of rifles and shotguns of all types. The average price paid for long guns increased in the U.S. from 2010 to 2014; the magnitude of this increase was greater in Illinois than the U.S. as a whole (Table 1).

*Table 1. Average Price Paid for Long guns 2010 - 2014*

	Illinois		United States	
	Avg. Price Paid	Sample Size	Avg. Price Paid	Sample Size
2010	\$622.80	N=60	\$627.66	N=2022
2011	\$608.87	N=95	\$671.20	N=2799
2012	\$689.97	N=84	\$732.85	N=3193
2013	\$915.65	N=85	\$797.76	N=2775
2014	\$1,166.10	N=75	\$776.55	N=2357
Average	\$800.68		\$721.20	

The average price paid for handguns by residents of Illinois remained relatively constant from 2010 to 2014, while it increased in the U.S. as a whole (Table 2).

*Table 2. Average Price Paid for Handguns 2010 - 2014*

	Illinois		United States	
	Avg. Price Paid	Sample Size	Avg. Price Paid	Sample Size
2010	\$486.20	N=35	\$458.08	N=1333
2011	\$449.50	N=73	\$464.38	N=2083
2012	\$479.61	N=62	\$469.05	N=2484
2013	\$509.21	N=93	\$493.65	N=2105
2014	\$503.40	N=95	\$506.03	N=2111
Average	\$485.58		\$478.24	

## 15. Economic Impact Survey

The New York economic research firm of John Dunham & Associates was commissioned to do an economic impact survey on the Firearms and Ammunition Industry by the National Shooting Sports Foundation (NSSF) covering the years between 2008 and 2017. The total economic impact of the firearms and ammunition industry in the United States increased from \$19.1 billion in 2008 to \$51.4 billion in 2017, a 169 percent increase, while the total number of full-time equivalent jobs rose from approximately 166,000 to almost 310,000, an 87 percent increase in that period. Illinois was a top ten state in; Total Economic Output, dollars and in Total Jobs, numbers.



# **FIREARMS AND AMMUNITION INDUSTRY ECONOMIC IMPACT**

## **REPORT | 2018**



THE FIREARMS INDUSTRY TRADE ASSOCIATION | NSSF.ORG |



## Who is the National Shooting Sports Foundation?

The National Shooting Sports Foundation (NSSF) is the trade association for the firearms industry. Its mission is to promote, protect and preserve hunting and the shooting sports. Formed in 1961, NSSF has a membership of about 13,000 manufacturers, distributors, firearms retailers, shooting ranges, sportsmen's organizations and publishers.

For more than 200 years, America's firearms and ammunition industry has made products that have been part of our country's tradition of freedom, self-reliance and enjoyment of the outdoors.

NSSF has led the way in promoting responsible ownership of firearms.

NSSF concentrates its efforts on measurably advancing



participation in and understanding of hunting and the shooting sports; reaffirming and strengthening our members' commitment to the safe and responsible use of their

products, and promoting a political climate supportive of America's traditional firearms rights.

NSSF's expanding government relations program responds to the ever-changing political environment that threatens the lawful commerce in our industry's products, the future of hunting, recreational shooting and our firearms freedoms. NSSF works on both state and federal issues, along with working with many state and federal regulatory agencies, to protect the firearms industry and make sure their business interests are appropriately represented.

## The Firearms and Ammunition Industry Economic Impact Report

This report details the significant economic impact the firearms and ammunition industry has on the nation's and each state's economy. The economic growth America's firearms and ammunition industry has experienced in recent years has been nothing short

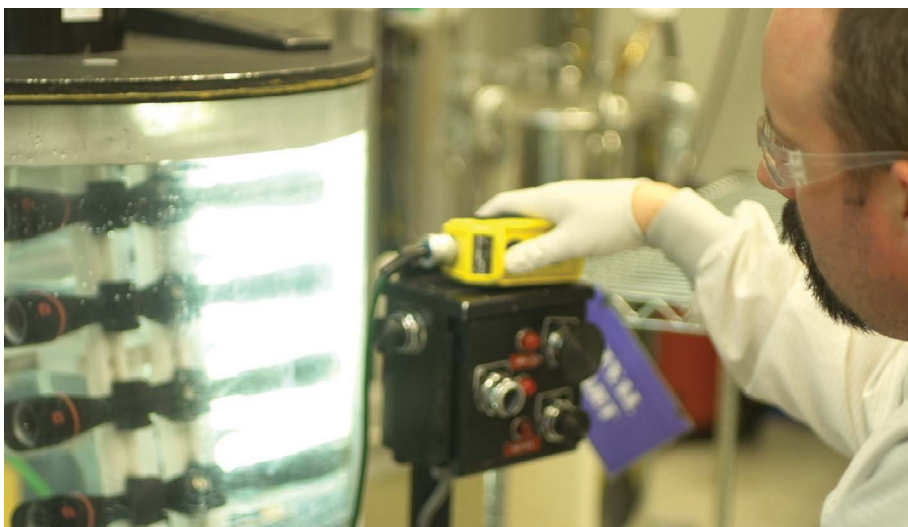
of remarkable. Over the past decade, the industry's growth has been driven by an unprecedented number of Americans choosing to exercise their fundamental right to keep and bear arms and purchase a firearm and ammunition.

NSSF, representing America's firearms and ammunition

manufacturers, takes great pride in supporting wildlife conservation efforts. Noted in the economic impact report is the significant taxes paid by our industry to federal and state governments and the Pittman-Robertson excise tax the industry pays on the products it sells – this tax is the major source of wildlife conservation funding in America.

Regardless of economic conditions across the country, our industry has grown and created about 91,000 new, well-paying jobs over the past five years. Our industry is proud to be one of the bright spots in this economy.

Take a look for yourself and see the impact we have nationally and on your home state.  
(See center spread.)





# THE FIREARMS INDUSTRY CREATES JOBS IN AMERICA

United States companies that manufacture, distribute, and sell sporting firearms, ammunition, and supplies are an important part of the country's economy. Manufacturers of firearms, ammunition, and supplies, along with the companies that sell and distribute these products, provide well paying jobs in America and pay significant amounts in tax to the state and Federal governments.

## Economic Impact of the Sporting Arms and Ammunition Industry in the United States

	Direct	Supplier	Induced	Total
Jobs (FTE)	149,113	62,757	99,038	310,908
Wages	\$6,074,728,900	\$4,313,168,400	\$5,079,369,400	\$15,467,266,700
Economic Impact	\$21,048,197,400	\$14,207,302,200	\$16,153,148,400	\$51,408,648,000

### The Firearms & Ammunition Industry is an Important Part of America's Economy

Companies in the United States that manufacture, distribute, and sell firearms, ammunition, and hunting equipment employ as many as 149,113 people in the country and generate an additional 161,795 jobs in supplier and ancillary industries. This include jobs in supplying goods and services to manufacturers, distributors, and retailers, and those that depend on sales to workers in the firearms and ammunition industry.<sup>1</sup>

These are good jobs paying an average of \$49,749 in wages and benefits. And today, every job is important. The United States currently has an unemployment rate of 4.32 percent. This means that there are currently 6,934,000 people trying to find jobs in the nation and collecting unemployment benefits.<sup>2</sup>

### The Economic Benefit of the Industry Spreads Throughout the Country

Not only does the manufacture and sale of firearms and hunting supplies create good jobs in the United States, but the industry also contributes to the economy as a whole. In fact, in 2017 the firearms and ammunition industry was responsible for as much as \$51.41 billion in total economic activity in the country.

The broader economic impact flows throughout the economy, generating business for firms seemingly unrelated to firearms. Real people, with real jobs, working in industries as varied as banking, retail, accounting, metal working, even in printing, all depend on the firearms and ammunition industry for their livelihood.

### The Country Also Benefits From the Taxes Paid By The Industry

Not only does the industry create jobs, it also generates sizeable tax revenues. In the United States, the industry and its employees pay over \$6.78 billion in taxes including property, income, and sales based levies.<sup>3</sup>



## Taxes Generated in the United States

Tax Impact	Business Taxes	Excise Taxes
Federal Taxes	\$3,911,087,800	\$717,810,500
State Taxes	\$2,872,306,400	
Total Taxes	\$6,783,394,200	\$717,810,500

<sup>1</sup> John Dunham & Associates, New York, December 2017. Direct impacts include those jobs in firearms and ammunition manufacturers, as well as companies that manufacture products such as ammunition holders and magazines, cases, decoys, game calls, holsters, hunting equipment, scopes, clay pigeons and targets. Direct impacts also include those resulting from the wholesale distribution and retailing of these products.

<sup>2</sup> The Bureau of Labor Statistics. Available online at: [www.bls.gov/lau/home.htm](http://www.bls.gov/lau/home.htm). Data for September '17 .

<sup>3</sup> This is in addition to over \$717.81 million in federal excise taxes.

## ECONOMIC CONTRIBUTION OF ARMS AND AMMUNITION INDUSTRIES, 2017

	Direct			Suppliers		
	Jobs	Wages	Output	Jobs	Wages	Output
Alabama	3,222	\$109,577,400	\$373,625,700	1,179	\$65,669,800	\$247,798,500
Alaska	719	\$20,855,500	\$49,551,000	199	\$10,709,200	\$36,121,500
Arizona	3,463	\$162,802,800	\$587,675,000	1,641	\$107,579,100	\$352,851,400
Arkansas	3,061	\$120,643,200	\$653,829,200	1,420	\$79,273,800	\$313,724,000
California	9,121	\$404,732,800	\$1,158,711,500	4,170	\$338,816,100	\$1,049,185,600
Colorado	2,234	\$82,374,900	\$254,531,300	963	\$68,209,500	\$213,319,900
Connecticut	2,683	\$198,606,700	\$743,700,400	1,211	\$118,206,300	\$314,749,500
District of Columbia	131	\$4,505,300	\$8,634,200	38	\$3,580,800	\$8,965,300
Delaware	170	\$4,153,500	\$9,404,200	61	\$4,279,700	\$14,988,300
Florida	7,157	\$266,722,400	\$1,003,787,700	3,472	\$205,623,700	\$725,320,600
Georgia	4,042	\$139,819,300	\$551,009,700	1,729	\$113,434,500	\$390,293,900
Hawaii	215	\$8,787,700	\$26,242,200	75	\$3,789,300	\$14,660,300
Idaho	3,219	\$129,354,700	\$556,314,600	1,500	\$76,984,500	\$299,647,400
Illinois	4,847	\$239,018,600	\$970,184,900	2,380	\$185,134,000	\$589,668,100
Indiana	3,798	\$202,027,900	\$492,993,800	1,382	\$93,435,800	\$318,683,800
Iowa	1,240	\$38,715,000	\$106,422,300	429	\$26,704,200	\$95,087,900
Kansas	2,716	\$94,362,900	\$304,450,100	1,072	\$64,283,000	\$225,684,100
Kentucky	2,015	\$66,889,000	\$193,931,100	705	\$43,420,400	\$156,536,300
Louisiana	2,289	\$65,504,500	\$196,177,300	807	\$45,990,000	\$155,596,700
Maine	1,293	\$32,805,100	\$89,546,700	421	\$22,048,900	\$83,304,400
Maryland	1,912	\$115,493,900	\$412,375,700	767	\$57,148,900	\$171,793,200
Massachusetts	3,758	\$272,592,700	\$1,287,644,100	1,829	\$164,851,600	\$465,242,000
Michigan	4,527	\$145,286,000	\$432,162,900	1,720	\$114,068,400	\$384,109,400
Minnesota	4,503	\$266,526,200	\$1,010,259,400	2,478	\$191,793,900	\$597,626,600
Mississippi	2,392	\$92,075,000	\$412,787,000	1,117	\$54,241,100	\$229,283,400
Missouri	5,468	\$162,002,700	\$529,238,100	2,041	\$130,881,300	\$456,203,900
Montana	1,516	\$53,132,400	\$199,153,400	602	\$28,477,700	\$105,300,700
Nebraska	1,604	\$45,232,700	\$154,094,700	579	\$42,600,300	\$131,770,400
Nevada	1,355	\$38,522,200	\$125,226,900	485	\$28,221,000	\$100,153,400
New Hampshire	2,619	\$204,125,800	\$765,018,700	1,261	\$92,073,200	\$269,241,900
New Jersey	1,054	\$60,185,900	\$145,222,000	476	\$40,456,900	\$117,486,600
New Mexico	661	\$13,505,600	\$49,998,200	218	\$10,074,200	\$44,465,500
New York	4,156	\$257,581,800	\$919,120,000	2,027	\$194,766,400	\$534,825,600
North Carolina	4,701	\$153,892,700	\$504,613,000	1,861	\$112,557,000	\$401,699,800
North Dakota	602	\$17,941,100	\$43,508,000	178	\$9,736,800	\$32,441,200
Ohio	6,533	\$203,523,600	\$561,142,400	2,354	\$154,231,500	\$546,852,500
Oklahoma	2,199	\$60,032,500	\$179,365,600	829	\$52,694,100	\$175,675,400
Oregon	2,919	\$125,995,400	\$453,847,500	1,587	\$100,948,700	\$321,459,800
Pennsylvania	5,986	\$201,528,500	\$606,007,000	2,230	\$178,101,600	\$545,454,900
Rhode Island	222	\$15,575,100	\$44,719,300	105	\$6,663,000	\$19,758,000
South Carolina	2,913	\$120,606,700	\$456,877,700	1,175	\$66,911,300	\$242,283,800
South Dakota	1,074	\$35,267,300	\$148,116,900	400	\$24,641,300	\$81,399,800
Tennessee	3,408	\$118,669,800	\$323,578,400	1,249	\$80,098,900	\$277,461,600
Texas	11,429	\$412,023,200	\$1,259,746,200	4,911	\$357,127,500	\$1,150,390,400
Utah	2,908	\$133,229,700	\$422,027,300	1,377	\$77,093,500	\$279,069,700
Vermont	550	\$30,085,300	\$117,083,800	203	\$11,296,400	\$38,276,400
Virginia	2,637	\$81,079,500	\$329,431,800	995	\$70,535,200	\$236,961,500
Washington	3,313	\$109,072,400	\$337,402,700	1,150	\$81,553,100	\$277,871,100
West Virginia	891	\$20,322,300	\$71,572,300	286	\$15,757,200	\$64,458,400
Wisconsin	2,785	\$92,853,900	\$328,964,000	1,130	\$71,075,600	\$246,292,100
Wyoming	883	\$24,507,800	\$87,169,500	283	\$15,318,200	\$55,805,700
United States	149,113	\$6,074,728,900	\$21,048,197,400	62,757	\$4,313,168,400	\$14,207,302,200

## STATE BY STATE ECONOMIC IMPACT REPORT

Induced			Total			Average	Federal Excise
Jobs	Wages	Output	Jobs	Wages	Output	Wages	Tax
1,434	\$59,629,900	\$221,109,600	5,835	\$234,877,100	\$842,533,800	\$40,300	\$17,413,700
204	\$10,652,900	\$35,329,800	1,122	\$42,217,600	\$121,002,300	\$37,600	\$4,383,500
2,450	\$113,197,400	\$360,648,500	7,554	\$383,579,300	\$1,301,174,900	\$50,800	\$14,010,400
1,427	\$56,477,300	\$204,016,100	5,908	\$256,394,300	\$1,171,569,300	\$43,400	\$10,363,000
9,158	\$553,962,700	\$1,654,188,000	22,449	\$1,297,511,600	\$3,862,085,100	\$57,800	\$57,682,700
1,634	\$83,311,200	\$255,747,700	4,831	\$233,895,600	\$723,598,900	\$48,400	\$12,812,500
1,826	\$114,086,000	\$302,645,300	5,720	\$430,899,000	\$1,361,095,200	\$75,300	\$6,019,300
207	\$19,357,100	\$38,546,000	376	\$27,443,200	\$56,145,500	\$73,000	\$1,097,700
176	\$10,304,800	\$39,012,600	407	\$18,738,000	\$63,405,100	\$46,000	\$1,106,700
5,841	\$263,041,000	\$837,202,400	16,470	\$735,387,100	\$2,566,310,700	\$44,700	\$32,843,800
2,810	\$134,522,600	\$459,434,800	8,581	\$387,776,400	\$1,400,738,400	\$45,200	\$19,809,800
285	\$13,894,400	\$44,904,500	575	\$26,471,400	\$85,807,000	\$46,000	\$1,627,200
1,371	\$52,854,300	\$179,643,500	6,090	\$259,193,500	\$1,035,605,500	\$42,600	\$9,793,500
4,304	\$236,212,500	\$747,474,900	11,531	\$660,365,100	\$2,307,327,900	\$57,300	\$18,037,100
2,596	\$120,688,700	\$426,389,100	7,776	\$416,152,400	\$1,238,066,700	\$53,500	\$18,401,000
824	\$38,453,900	\$155,766,500	2,493	\$103,873,100	\$357,276,700	\$41,700	\$6,966,600
1,187	\$52,412,200	\$192,145,000	4,975	\$211,058,100	\$722,279,200	\$42,400	\$14,268,600
1,112	\$49,377,600	\$188,573,700	3,832	\$159,687,000	\$539,041,100	\$41,700	\$10,945,200
1,138	\$51,235,300	\$192,056,000	4,234	\$162,729,800	\$543,830,000	\$38,400	\$13,541,600
482	\$19,876,300	\$66,008,800	2,196	\$74,730,300	\$238,859,900	\$34,000	\$7,972,400
1,630	\$86,301,700	\$253,149,000	4,309	\$258,944,500	\$837,317,900	\$60,100	\$6,659,900
3,117	\$194,274,800	\$514,990,700	8,704	\$631,719,100	\$2,267,876,800	\$72,600	\$5,676,300
2,707	\$130,681,800	\$445,915,500	8,954	\$390,036,200	\$1,262,187,800	\$43,600	\$26,885,700
3,635	\$183,677,200	\$553,256,200	10,616	\$641,997,300	\$2,161,142,200	\$60,500	\$14,974,300
1,142	\$40,800,100	\$160,029,600	4,651	\$187,116,200	\$802,100,000	\$40,200	\$7,564,100
2,435	\$109,859,500	\$375,543,500	9,944	\$402,743,500	\$1,360,985,500	\$40,500	\$27,826,600
581	\$22,501,900	\$75,398,500	2,699	\$104,112,000	\$379,852,600	\$38,600	\$5,376,000
725	\$34,024,800	\$125,798,600	2,908	\$121,857,800	\$411,663,700	\$41,900	\$8,715,500
764	\$35,781,900	\$116,263,100	2,604	\$102,525,100	\$341,643,400	\$39,400	\$8,919,500
1,735	\$86,197,100	\$245,047,900	5,615	\$382,396,100	\$1,279,308,500	\$68,100	\$3,198,800
1,810	\$114,779,500	\$325,307,200	3,340	\$215,422,300	\$588,015,800	\$64,500	\$7,632,400
366	\$14,571,100	\$54,507,100	1,245	\$38,150,900	\$148,970,800	\$30,600	\$3,605,400
4,793	\$327,581,800	\$915,260,600	10,976	\$779,930,000	\$2,369,206,200	\$71,100	\$13,066,300
2,773	\$127,115,600	\$451,745,000	9,335	\$393,565,300	\$1,358,057,800	\$42,200	\$22,311,400
234	\$11,128,600	\$39,596,000	1,014	\$38,806,500	\$115,545,200	\$38,300	\$4,040,000
3,583	\$168,431,800	\$591,926,500	12,470	\$526,186,900	\$1,699,921,400	\$42,200	\$40,939,500
1,013	\$49,134,000	\$154,920,800	4,041	\$161,860,600	\$509,961,800	\$40,100	\$11,914,900
1,776	\$82,316,900	\$254,884,600	6,282	\$309,261,000	\$1,030,191,900	\$49,200	\$9,166,600
3,771	\$205,166,200	\$621,633,300	11,987	\$584,796,300	\$1,773,095,200	\$48,800	\$30,761,500
265	\$13,657,200	\$41,126,500	592	\$35,895,300	\$105,603,800	\$60,600	\$826,000
1,536	\$63,755,800	\$228,161,100	5,624	\$251,273,800	\$927,322,600	\$44,700	\$12,216,700
423	\$18,961,900	\$65,723,100	1,897	\$78,870,500	\$295,239,800	\$41,600	\$4,624,500
2,003	\$102,456,000	\$323,078,700	6,660	\$301,224,700	\$924,118,700	\$45,200	\$20,861,700
7,795	\$417,741,400	\$1,331,605,100	24,135	\$1,186,892,100	\$3,741,741,700	\$49,200	\$65,709,000
1,662	\$69,234,100	\$243,559,000	5,947	\$279,557,300	\$944,656,000	\$47,000	\$15,538,500
323	\$13,576,100	\$44,182,400	1,076	\$54,957,800	\$199,542,600	\$51,100	\$1,786,600
1,840	\$94,658,900	\$297,147,000	5,472	\$246,273,600	\$863,540,300	\$45,000	\$13,062,000
1,781	\$100,025,400	\$314,584,500	6,244	\$290,650,900	\$929,858,300	\$46,500	\$22,614,600
364	\$15,358,900	\$57,119,500	1,541	\$51,438,400	\$193,150,200	\$33,400	\$4,875,300
1,779	\$83,350,300	\$296,100,100	5,694	\$247,279,800	\$871,356,200	\$43,400	\$12,624,000
211	\$8,719,000	\$34,744,900	1,377	\$48,545,000	\$177,720,100	\$35,300	\$4,740,600
99,038	\$5,079,369,400	\$16,153,148,400	310,908	\$15,467,266,700	\$51,408,648,000	\$49,700	\$717,810,500

## STATE RANKINGS - 2017



### Economic Output: Top Ten States

Total Economic Output, dollars
California
Texas
Florida
New York
Illinois
Massachusetts
Minnesota
Pennsylvania
Ohio
Georgia

Total Economic Output, per capita
New Hampshire
Idaho
Arkansas
Minnesota
Connecticut
Montana
South Dakota
Massachusetts
Vermont
Wyoming

Growth in Economic Output
Hawaii
Vermont
Indiana
New Jersey
Delaware
Maryland
New Hampshire
New York
Massachusetts
South Carolina



### Jobs: Top Ten States

Total Jobs, number
Texas
California
Florida
Ohio
Pennsylvania
Illinois
New York
Minnesota
Missouri
North Carolina

Total Jobs, per capita
New Hampshire
Idaho
Montana
Wyoming
South Dakota
Arkansas
Utah
Minnesota
Vermont
Kansas

Growth in Jobs
New Jersey
Hawaii
Vermont
Indiana
Maryland
Delaware
New Hampshire
New York
Massachusetts
Connecticut



### Excise Tax: Top Ten States

Federal Excise Taxes, number
Texas
California
Ohio
Florida
Pennsylvania
Missouri
Michigan
Washington
North Carolina
Tennessee

Federal Excise Taxes, per capita
Wyoming
Maine
Alaska
Idaho
North Dakota
South Dakota
Montana
Utah
Kansas
Missouri

Growth in Excise Taxes
New Jersey
New York
Hawaii
Massachusetts
Arkansas
Idaho
Iowa
Rhode Island
Virginia
Ohio

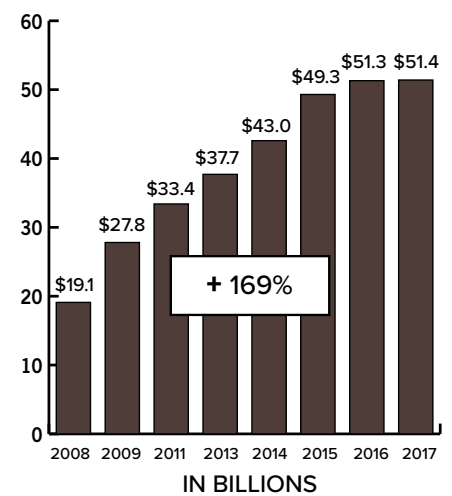
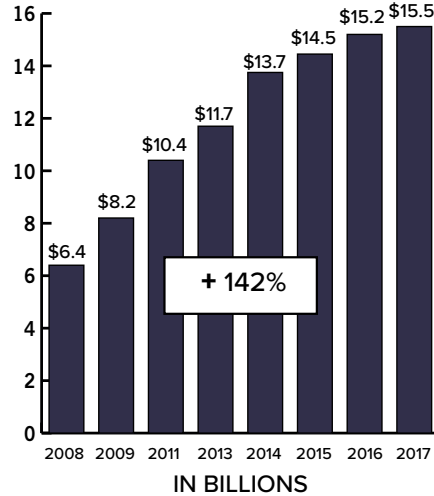
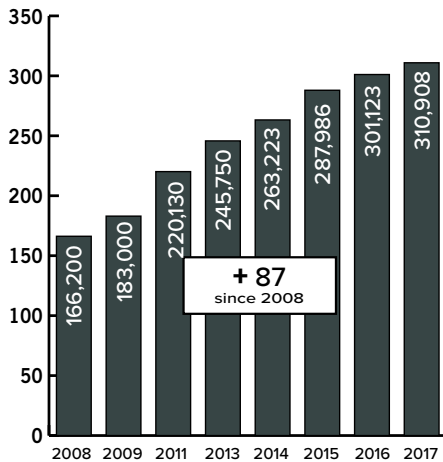
## WHAT A GROWING INDUSTRY LOOKS LIKE...

## JOBS

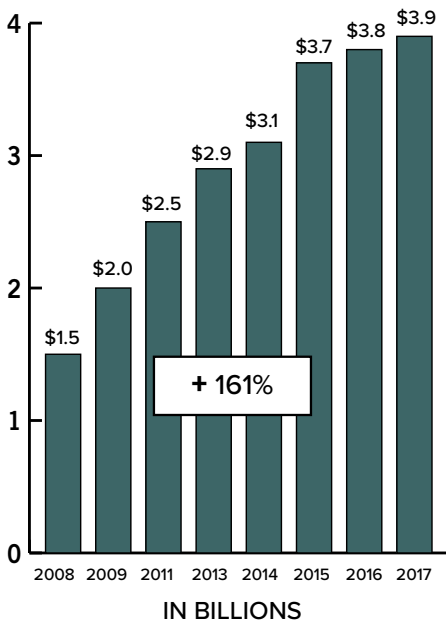
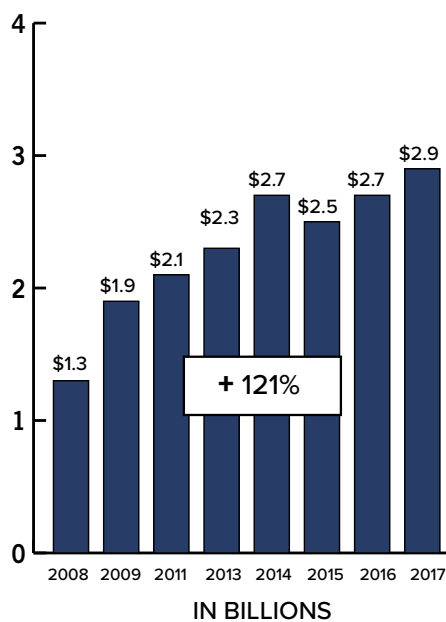
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## ECONOMIC IMPACT

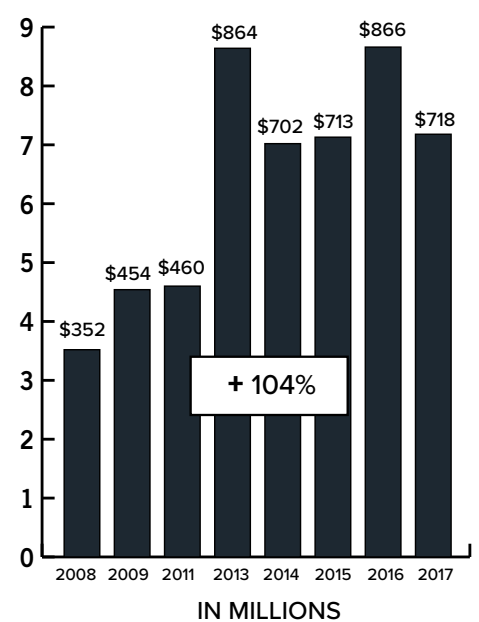
Total



## TAXES GENERATED

Business Taxes  
FederalBusiness Taxes  
State

## Excise Taxes









## 16. CCW Class

The shooting sports at its core is a mentored one. Teaching, coaching and fellowship are an intricate part of all team members and their interaction with guests. Formal classes take many forms. Basic skills (introduction), home defense, advanced, security, private investigator, less than lethal and CCW (conceal carry weapon) just to name a few. In this model the passing of conceal carry for the common citizen in July of 2013 will be a significant impact on sales. Margin in this department are from 90 to 95 points depending on items from the instructor. For the purposes of this report we did a student count of 30 per class. Teaching 6 days a week. We found several other outlets for teaching the CCW that were charging higher rates (See Below). However, and in keeping with the spirit of a fair report we elected to go with at \$300. Starting in August of 2013. For the purpose of this report we are using 90 points as the margin.

### Sample #1

Brian Kossof, a very well-known and successful instructor was charging \$375 per student during the time line.

### Sample #2

College of Lake County, 19351 West Washington Street, Grayslake, Ill 60030  
They were charging \$300 per student

CCW Training				
6 Month Time Period				
	1	2	3	
Students	30	25	20	
Days Per Week	6	6	6	
Weeks	25	21	21	
Class Price	\$300	\$275	\$250	
Instructors	1	1	1	
Stores	5	5	5	Total
Gross Profit	\$6,750,000	\$4,331,250	\$3,150,000	\$14,231,250
<b>Margin</b>	<b>\$6,007,500.0</b>	<b>\$3,854,812.5</b>	<b>\$2,803,500.0</b>	<b>\$12,665,813</b>

### 13. Biography

#### ***Mr. Miles Edward Hall***

**SENIOR CONSULTANT /Hall-N-Hall**

**3224 South Broadway, Suite 250**

**Edmond, Oklahoma 73013**

**Miles@HallnHall.com (405) 774-9014**



#### **Highlights:**

- 37+ years in the firearms, shooting sports, and outdoor industry.
- Founder and former Owner/Partner of H&H Shooting Sports Complex in Oklahoma City
- Led the company to well over 24+ million in yearly sales and receiving virtually every award and honor given a business in the industry (See below, more on this)
- Founding Member of National Shooting Sports Foundation (NSSF) Range Advisory Council and past President
- Founding Member of NSSF Retail Advisory Council
- Help develop SHOT Show University and a regular speaker/presenter
- Was asked and then served on the NSSF Board of Governors
- Developed the shooting sports first, Retail / Range specific sales and management training programs
- Worked with hundreds of range and retail facilities across the country develop and refine their business practices and internal policies.
- Worked with Manufacturers directly to develop new products and ways of empowering dealers in selling those products to meet modern performance-oriented retail expectation
- Worked and developed plans with numerous industries and outside of industry partners to help retailers serve the growing needs of the millions of guests entering the shooting sports.
- Helped develop the industry's first peer review group for retailers (P-20)
- Helped evaluate dealers wishing to sell and or buy a business.
- Interviewed and or co-authored stories in dozens of publication such as Inc, Fortune and industry publications such as Guns & Ammo, Shot Business, Shooting Industry, Shooting Retailer and Gun Digest.

### **Education:**

- Graduated from John Marshall High School and listed in *Who's Who of American High Schools students* and was appointed Youth Councilor to the Governor of Oklahoma.
- Attended Oklahoma State University OKC and currently is on The President's Advisory Board
- Graduate of the first Citizen Police Academy in Oklahoma
- Graduate of Metro Tech Small Business Management

### **Awards & Honors:**

- A **"top 10 dealer"** by most all the major manufacturers in the shooting sports.
- Named **"2004 Retailer of the Year"** by Shot Business Magazine.
- Selected for the **first** Shooting Industry Academy of Excellence **"Citizenship Award."**
- Selected for the **first "Range of the Year"** honor in 2006.
- The **first** facility to receive a **"5 Star"** rating from the National Shooting Sports Foundation.
- **Inc. Magazine** had selected H&H as one of the fastest growing privately held business in the United States for nine years and is the only gun dealer ever in that list for four of those years.
- We were one of the nation's largest indoor range and retail center for the shooting sports.
- Inducted into the Junior Achievement Hall of Fame
- Governor Commendation and Lt Governor Citations (D&R)
- Oklahoma State Bureau of Investigation Director Citation
- Presidential Citation for work with Oklahoma State Foster Care Review Board
- International Service award Rotary International Club 29 (Also a Paul Harris Fellow)
- 32 Degree Scottish Rite Mason and Past Master of Guildhall Lodge
- Miles was recognized by political leaders from both parties and was regularly sought out for his knowledge and common business sense approach to matters.
- Miles & Jayne have been married for just over 39 years with three children and seven grandchildren. They are active in the local community but are also tapped regularly for advice by national political & business leaders. They have hosted over 22 international students in their home.
- After much soul searching they sold their interest in the business in July of 2016 and now devote full time to helping range/retailers and other retailers around the country improve their operation and keep growing and building the sport.



**Engagement Agreement with David Sigale:**

- \$250.00 per man hour.
- Travel times will be at half (\$125.00)
- Deposition and or testifying will be a flat daily rate of \$2,000.
- *(Note: If between 0 & 4 hours and in State, it will be hourly, from 4 to 8 hours will be at daily rate, above 8 will be billed hourly)*
- Travel and all additional out of pocket expenses will be billed at cost.
- We may need outside experts to assist in gathering information and or material and that will be billed at cost.
- Should extended travel be required, there may be at minimal one assistant needed. (to be approved prior to engagement)

Mr. Hall has not testified as an expert in any depositions or trials in the last four (4) years.